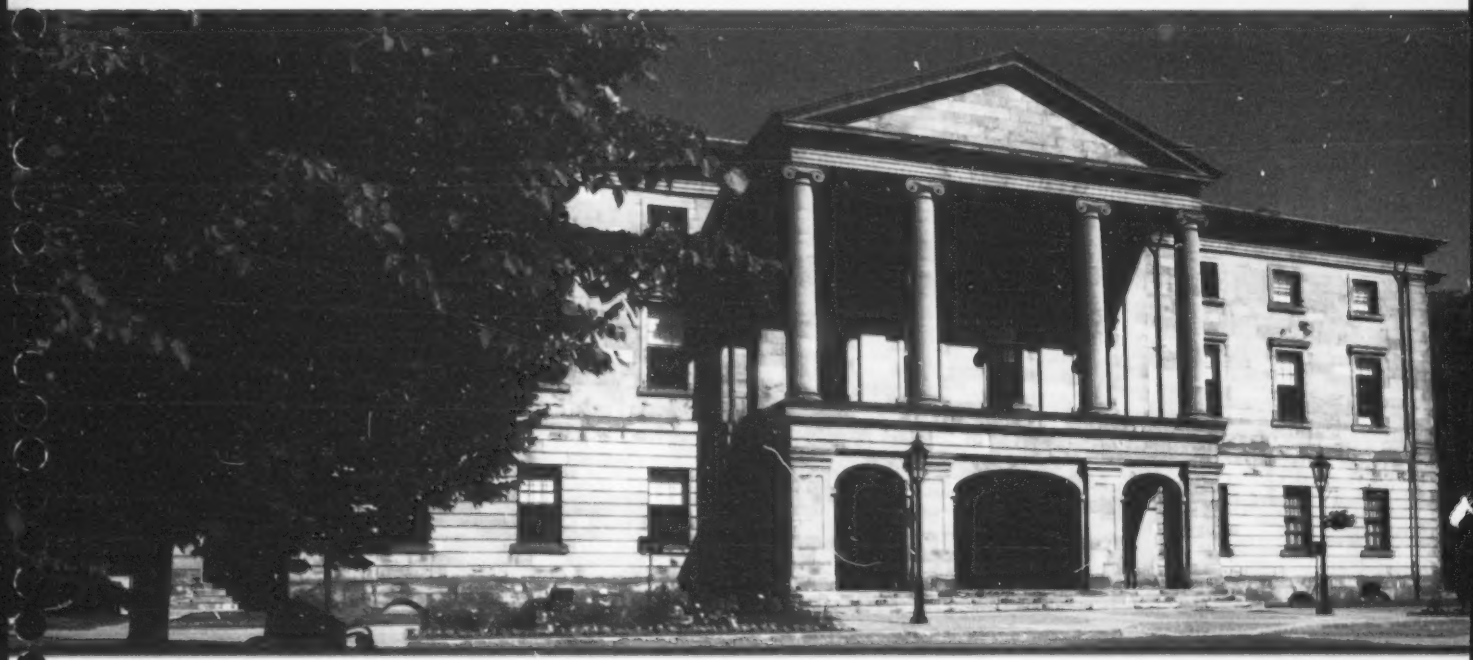

Report of the
AUDITOR GENERAL
to the
Legislative Assembly

2011
Prince Edward Island

Prince Edward Island | Île-du-Prince-Édouard

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

In accordance with the requirements of the *Audit Act*, I have the honour of presenting my Annual Report to the Legislative Assembly.

Respectfully submitted,

Colin Younker, CA
Auditor General

Charlottetown
Prince Edward Island
March 10, 2011

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INTRODUCTION

REPORT OVERVIEW

The *Audit Act* requires the Auditor General to report annually to the Legislative Assembly. My 2011 Annual Report provides observations, recommendations, and information pertaining to the audits and examinations of government operations conducted by the Office during the year. The purpose of this report is to assist the Legislative Assembly in carrying out its responsibility to hold government accountable for the management of public resources.

My 2011 Annual Report deals mainly with matters pertaining to the 2009-10 fiscal year, however, many of the issues identified remain current and are still being addressed by government.

It is not possible to audit all government programs and entities each year, however with the resources available the Office strives to provide reasonable audit coverage on a cyclical basis. A large portion of the audit work is determined by statutory requirements which name the Auditor General as auditor. These requirements include the annual audit of the Public Accounts of the Province. The remainder of our resources are devoted to special audits and examinations.

This report includes information and discussion on the **Province's Finances**. The section on **Special Audits and Examinations** includes the results of various examinations conducted during the year and summarizes the results of the following special audits and examinations: Special Education - Eastern School District, Food Safety, School Maintenance - Western School Board, and Inspection of Bridges. The **Financial Statement Audits** section provides information on significant issues arising from the financial statement audits and other audit procedures conducted by the Office.

As part of our work, we provide recommendations to departments and agencies to improve the management and administration of government operations and programs. On an annual basis, we contact departments and agencies to obtain follow-up information on the status of any outstanding recommendations from previous audits. This information is included in a separate section of the report entitled **Update on Previous Recommendations.**

The **Standing Committee on Public Accounts** reviews the Auditor General's Annual Report and plays an important role in holding government accountable for the management of public resources. Information on the role of this Committee and its proceedings during the past year is provided in a separate section of the report.

The section on the **Office of the Auditor General** provides information on the mission and mandate of the Office as well as the responsibilities of the Auditor General. Background information is provided on the objectives and accomplishments of the Office and the resources used to achieve them.

In order to carry out the work of the Office, we require certain information, reports, explanations as well as other documentation. Cooperation of ministers, deputy ministers, CEOs of Crown agencies, boards and their staff is necessary. I wish to acknowledge the cooperation received in the completion of the audits covered in my Annual Report.

I would like to thank my staff for their effort over the past year. The quality of this report and the recommendations it contains are the product of their professionalism and commitment to the ongoing success of the Office.

INTRODUCTION

APERÇU DU RAPPORT

L'*Audit Act* (loi sur la vérification des comptes publics) stipule que le vérificateur général doit déposer un rapport devant l'Assemblée législative tous les ans. Mon rapport annuel 2011 fournit des observations, des recommandations et des renseignements sur les vérifications et les examens des activités du gouvernement menés par le Bureau au cours de l'année. Le but de ce rapport est d'aider l'Assemblée législative à s'acquitter de sa responsabilité de tenir le gouvernement responsable de la gestion des ressources publiques.

Mon rapport annuel 2011 traite principalement d'affaires portant sur l'exercice financier 2009-2010; toutefois, plusieurs des points mis en évidence demeurent actuels, et font toujours partie des préoccupations du gouvernement.

Il n'est pas possible de vérifier tous les programmes et entités du gouvernement chaque année; toutefois, avec les ressources à sa disposition, le Bureau s'efforce d'assurer une couverture de vérification raisonnable sur une base cyclique. Une bonne partie du travail de vérification est définie par les exigences statutaires qui nomment le vérificateur général à titre de vérificateur. Ces exigences comprennent la vérification annuelle des comptes publics de la province. Le reste de nos ressources sont consacrées à des vérifications et à des examens spéciaux.

Le présent rapport comprend des renseignements et une discussion sur les **finances de la province**. La section sur les **vérifications et examens spéciaux** comprend les résultats de divers examens menés durant l'année; elle résume les résultats des vérifications et examens spéciaux suivants : Adaptation scolaire - Commission scolaire de l'est, Salubrité des aliments et entretien des écoles - Commission scolaire de l'ouest, et Inspection des ponts. La section de la **vérification des états financiers** fournit des renseignements sur les questions importantes découlant des vérifications des états financiers et d'autres procédures de vérification menées par le Bureau.

Dans le cadre de notre travail, nous offrons des recommandations aux ministères et organismes afin d'améliorer la gestion et l'administration des activités et des programmes du gouvernement. Sur une base annuelle, nous communiquons avec les ministères afin d'obtenir des compléments d'information sur le statut de l'une ou l'autre des recommandations des vérifications précédentes. Ces renseignements sont compris dans une section séparée du rapport intitulée ***Update on Previous Recommendations*** (mise à jour des recommandations antérieures).

Le **Comité permanent sur les comptes publics** révise le rapport annuel du vérificateur général, et joue un rôle important en rendant le gouvernement responsable de la gestion des ressources publiques. Les renseignements sur le rôle de ce comité et de ses travaux au cours de la dernière année apparaissent dans une section particulière du rapport.

La section sur le **Bureau du vérificateur général** offre des renseignements sur la mission et le mandat du Bureau, ainsi que les responsabilités du vérificateur général. Des renseignements généraux sont fournis sur l'objectif et les réalisations du Bureau ainsi que les ressources utilisées pour y parvenir.

Afin d'accomplir le travail du Bureau, nous avons besoin de certains renseignements, rapports et explications ainsi que d'autres documents. La collaboration des ministres, sous-ministres, directeurs généraux et conseils d'administration des sociétés d'État et leur personnel est nécessaire. Je souhaite souligner la collaboration générale de ces personnes dans le cadre des vérifications présentées dans le présent rapport annuel.

J'aimerais remercier les membres de mon personnel pour leurs efforts au cours de la dernière année. La qualité du présent rapport et les recommandations qu'il contient témoignent de leur professionnalisme et de leur engagement au succès durable du Bureau.

1. THE PROVINCE'S FINANCES

OVERALL COMMENTS

1.1 Each year we comment on the Province's finances. The financial position of the Province for the most recent fiscal year is discussed and comparisons are made with prior years. This information is important because it indicates where we are financially. The consolidated financial statements are the primary source of information to assess the financial condition of the Province.

1.2 For 2009-10, the Province recorded a deficit of $74.4 million which is a significant increase from the $30.7 million deficit in 2008-09.

1.3 The net debt increased by $165.5 million or 11.7 percent and stands at $1.58 billion at March 31, 2010. The GDP of the Province grew by less than one percent. The Province's net debt is significant and has increased by $257.8 million over the past five years.

BACKGROUND

1.4 The Public Accounts record the government's financial activities in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The statements combine the financial activities of many diverse government programs and entities with expenses totalling approximately $1.6 billion.

1.5 As in previous years, we are providing information to help put the numbers into perspective. The presentation is made in a format that focuses on key information to assist the Legislature and the public in obtaining a better understanding of the Province's financial condition. The Province's finances have a significant impact on the provincial economy.

1.6 This discussion of the Province's finances is based on the consolidated financial statements which include departments,

Crown corporations, and agencies which are all part of the government reporting entity.

1.7 Some of the common terms used to describe the Province's financial condition are presented below.

1.8 The **annual surplus or deficit** is the difference between a government's revenues and expenses. This measure shows the extent to which revenues raised in the year were sufficient to cover expenses in that year. For the year ended March 31, 2010, the Province had a deficit of $74.4 million.

1.9 The **total debt** is the amount owed by government. Government's debt includes outstanding debentures, pension obligations, and other payables. The total debt of the Province as of March 31, 2010 was $2.3 billion.

1.10 Financial assets are cash and other assets which could provide resources to pay liabilities or finance future operations. Total financial assets at March 31, 2010 were $710 million.

1.11 The **net debt** is equal to the difference between the government's total liabilities and its financial assets. The net debt of the Province as of March 31, 2010 was $1.58 billion.

1.12 Non-financial assets include tangible capital assets such as buildings, roads, and equipment as well as prepaid expenses and inventories. The book value of tangible capital assets increases as they are acquired and is reduced over a period of time through amortization. At March 31, 2010, non-financial assets had a net book value of $738.4 million.

1.13 The **accumulated deficit** represents the Province's liabilities net of the assets the Province has acquired; both financial and non-financial. It is calculated based on the surpluses and deficits incurred over the years. The accumulated deficit at March 31, 2010 was $842.3 million.

1.14 The **interest charged on borrowings** is the amount required to service the debt and must be taken from revenues before any expenditures can be made on government programs.

1.15 The **gross domestic product (GDP)** is a measure of the value of the goods and services produced in the Province in a year. The Province's GDP is measured and reported by Statistics Canada.

1.16 **Exhibit 1.1** shows a summary of some key financial measures for the Province over the past five years.

EXHIBIT 1.1
SUMMARY OF FINANCIAL INFORMATION
(Millions)

	2009-10			2006-07	2005-06
Surplus (Deficit)	$ (74.4)	$ (30.7)	$ (3.6)	$ 23.9	$ .7
Increase (decrease) in Net Debt	$ 165.5	$ 68.1	$ 34.9	$ (10.7)	$ (6.6)
Net Debt	$1,580.7	$1,415.2	$1,347.1	$1,312.2	$1,322.9
Non-Financial Assets	738.4	647.3	587.1	560.8	547.6
Accumulated Deficit	$ 842.3	$ 767.9	$ 760.0	$ 751.4	$ 775.3
Debt Charges	$ 104.0	$ 108.5	$ 118.9	$ 120.3	$ 116.8
GDP*	$4,750.0	$4,716.0	$4,538.0	$4,332.0	$4,142.0

**Source: Statistics Canada*

FINANCIAL HIGHLIGHTS

1.17 **Exhibit 1.2** shows the change in the deficit from 2008-09 to 2009-10.

EXHIBIT 1.2
CHANGE IN DEFICIT
(Millions)

	Revenues	Expenses	Deficit
2008-09 Deficit	$1,389.5	$1,420.2	$30.7
Increased Federal Transfers	81.3	-	
Increased Tax Revenue	32.7	-	
Increased Fees and Services	6.0	-	
Decreased Other Government Revenue	(.1)	-	
Decreased Government Business Enterprises	(2.5)	-	
Increased Health	-	41.3	
Increased Innovation and Advanced Learning	-	39.0	
Increased Provincial Treasury	-	33.9	
Increased Communities, Cultural Affairs and Labour	-	18.5	
Increased Education and Early Childhood Development	-	14.7	
Increased Social Services and Seniors	-	9.2	
Increased Agriculture	-	7.0	
Decreased Other Expenses	-	(2.5)	
2009-10 Deficit	$1,506.9	$1,581.3	$74.4

1.18 The growth in revenues for 2009-10 resulted from an increase in both provincial and federal revenues. Federal revenue increased by $81.3 million. The main increases were equalization $18.2 million; health and social transfers $5.2 million; Base Funding for the Infrastructure program $17 million; the New Deals for Cities and Communities program $6.4 million; and the Labour Market Agreements $28 million. Funds under the Labour Market Agreements were transferred to the province from the federal government for the first time in 2009-10. Funds under the Labour Market Agreements are expended by the Department of Innovation and Advanced Learning.

1.19 Due to significant surpluses of the federal government, the provinces were provided supplementary funding which was administered through trusts. The Province of PEI's share of these funds between March 31, 2005 and March 31, 2009 totalled

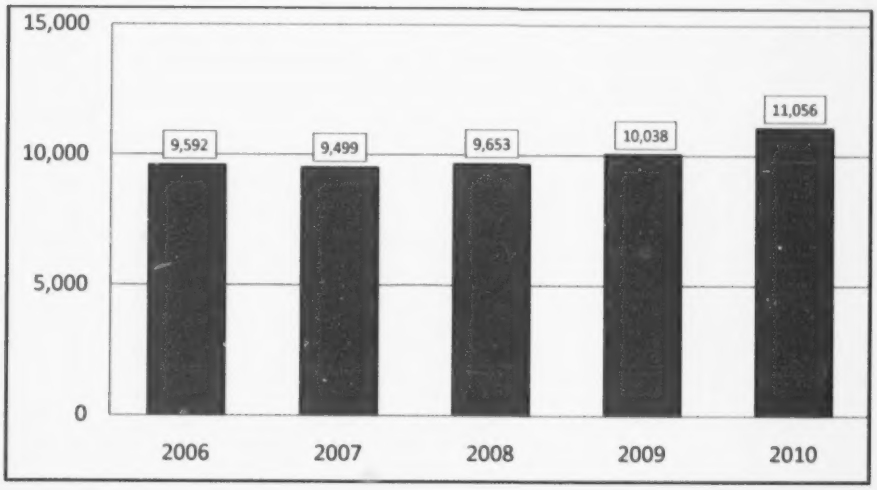
$109.2 million. The majority of these funds have been recorded as revenue in the Public Accounts of the Province as follows:

Fiscal Year	Millions
2004-05	$ 2.7
2005-06	4.8
2006-07	10.8
2007-08	22.9
2008-09	29.7
2009-10	28.0
	$98.9

1.20 The balance of $10.3 million will be recorded as revenue in 2010-11 and subsequent fiscal years. Based on the current federal fiscal situation, this type of supplementary funding may not be available to the Province over the next number of years.

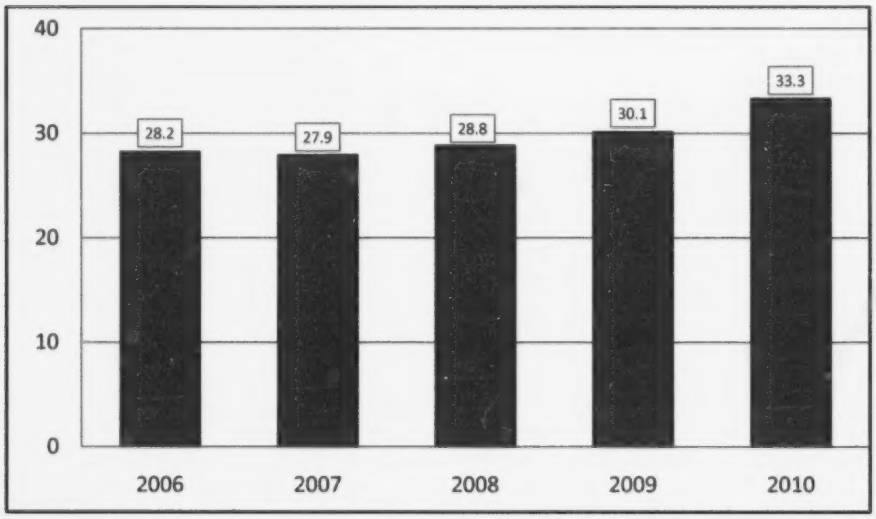
1.21 **Exhibit 1.3** shows the net debt per capita for the five years ended 2009-10. The net debt per capita has increased by 15.3 percent over this period.

EXHIBIT 1.3
NET DEBT PER CAPITA
YEAR ENDED MARCH 31



1.22 Exhibit 1.4 shows that government spending as a percentage of GDP has been increasing. This indicates that the growth in expenses is at a rate greater than the growth in the economy.

EXHIBIT 1.4
EXPENSES AS A PERCENT OF GDP
YEAR ENDED MARCH 31

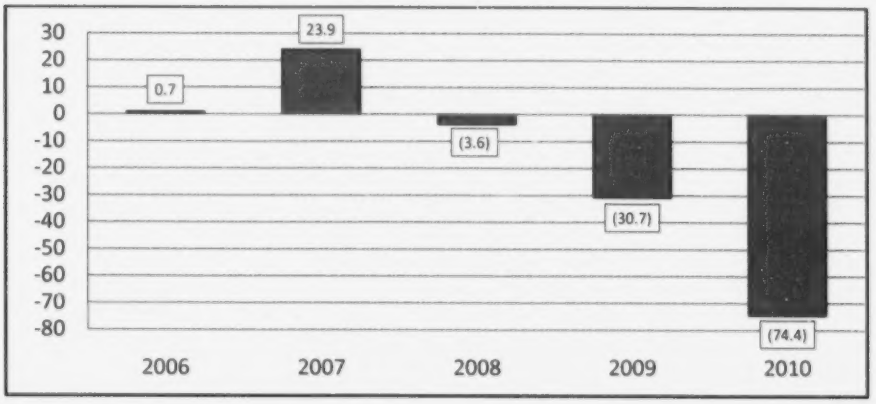


SUSTAINABILITY

1.23 Sustainability indicates whether the Province can maintain programs and meet existing creditor requirements without increasing the debt burden on the economy. A comparison of the government's annual surplus or deficit, net debt, and the provincial GDP provides insight into the sustainability of a government's practices of incurring expenses and generating revenues.

1.24 The annual deficit or surplus indicates the extent to which a government spends more or less than what is raised in revenue in a particular year. It basically shows whether a government is living within its means. **Exhibit 1.5** shows the annual surplus (deficit) for the last five years. For these years, the combined total is a deficit of $84.1 million. For 2009-10, the Province recorded a deficit of $74.4 million.

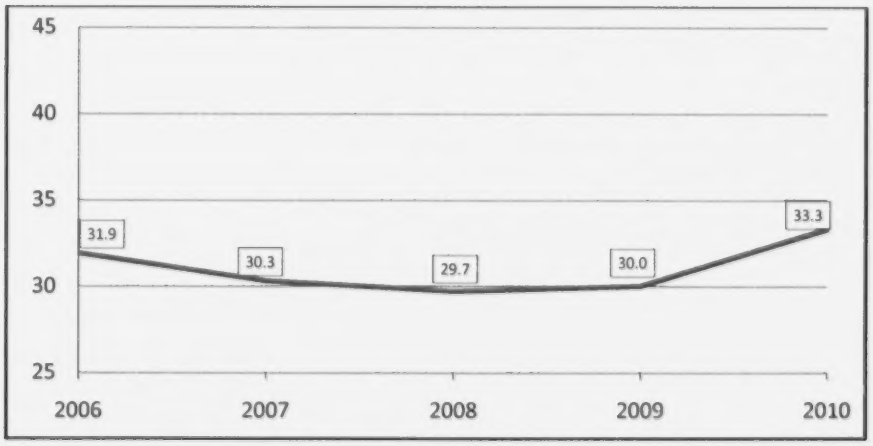
EXHIBIT 1.5
THE GOVERNMENT'S SURPLUS (DEFICIT)
YEAR ENDED MARCH 31
(Millions)



1.25 The net debt is the difference between government's total liabilities and its financial assets. Over the past five years, the net debt has increased by $257.8 million totalling $1.58 billion as of March 31, 2010.

1.26 **Exhibit 1.6** shows the net debt to GDP ratios for the last five years. For 2010, the ratio increased significantly.

EXHIBIT 1.6
NET DEBT AS A PERCENT OF GDP
YEAR ENDED MARCH 31



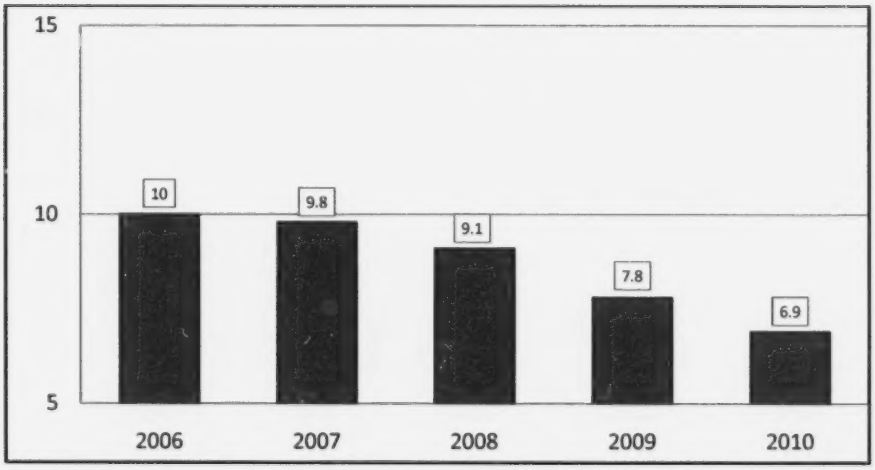
FLEXIBILITY

1.27 Government's flexibility is the degree to which it can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt. A government meets the test of flexibility when it can respond to changing economic conditions such as a recession or higher interest rates without making substantial changes to the way it operates.

1.28 A government's net debt and debt charges provide insight into whether it can respond to rising commitments without increasing its revenues. A rising debt burden and debt charges indicate there are fewer resources to allocate to programs and services.

1.29 One measure of a government's flexibility is the interest cost as a percentage of total revenue. This is sometimes referred to as the "interest bite." In 2009-10, debt charges on government borrowings were $104 million. The trend in the interest bite is shown in **Exhibit 1.7.**

EXHIBIT 1.7
INTEREST COST AS A PERCENT OF REVENUE
YEAR ENDED MARCH 31

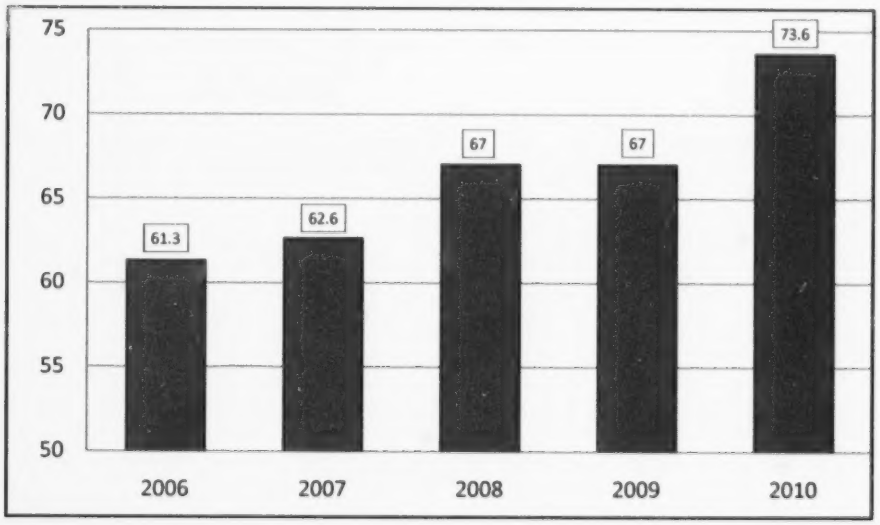


1.30 As indicated in **Exhibit 1.7**, the interest bite has declined since 2006. Our debt is over two billion dollars. The first $104 million of revenue must be earmarked to pay interest costs and is unavailable for government programs. Recent debenture issues have been for 5 to 32 year terms at comparatively low interest rates.

VULNERABILITY

1.31 Vulnerability is the degree to which a government is dependent on, and therefore vulnerable to sources of funding outside its control or influence. In 2009-10, the federal government provided revenue of $638.8 million to the Province, an increase of $81.3 million from 2008-09. Of the $81.3 million, $28 million related to Labour Market Agreements. These agreements provide funding for programs previously funded and administered by the federal government which are now being administered by the Province. **Exhibit 1.8** shows the trend in federal revenues relative to provincial own-source revenues for the last five years. This exhibit shows an increasing dependence on federal revenue.

EXHIBIT 1.8
FEDERAL REVENUE AS A PERCENT OF OWN-SOURCE REVENUE
YEAR ENDED MARCH 31



SUMMARY

1.32 It is important for members of the Legislative Assembly to have a regular update on the financial condition of government. This section provides summary information using indicators recommended by the Canadian Institute of Chartered Accountants. The indicators provide useful insight into government's ability to sustain its programs, the flexibility it has to respond to economic changes, and its vulnerability to sources of outside funding. The indicators help to put the finances of government into perspective and assist members to understand and interpret the information.

1.33 Further to the above discussion, we recognize there are other relevant non-financial matters which have to be taken into consideration by members of the Legislative Assembly in making budgetary decisions and setting government policy direction.

SPECIAL AUDITS AND EXAMINATIONS

2. INTRODUCTION TO SPECIAL AUDITS AND EXAMINATIONS

AUDIT PROCESS

2.1 Under the *Audit Act,* the Auditor General may conduct any audit or examination considered necessary to determine whether any agency of government is achieving its purpose, is doing so economically and efficiently, and is complying with applicable statutory provisions.

2.2 Special audits and examinations are conducted in accordance with standards established by the Canadian Institute of Chartered Accountants. There are three distinct phases in these types of audits. In the planning stage, audit staff obtain a thorough knowledge of the auditee organization or program and the environment in which it operates. This knowledge is obtained from a variety of sources and is used to develop an audit plan which contains the purpose, objectives, scope, and timing of the audit. During the second, or implementation stage, the auditor performs tests and gathers sufficient appropriate audit evidence which is then evaluated and analyzed. In the third stage, a report is drafted which includes audit observations and recommendations. The auditee is provided with a copy of the draft report for discussion purposes. At the conclusion of the audit, a final report is issued to the department or agency, and a written response is requested from management.

2.3 Due to the size of our Office and the complexity and magnitude of government operations, we cannot audit all government programs on an annual basis. There are numerous factors that influence the preparation of our annual audit program including the results of previous audits, the total revenues and expenses at risk, the complexity of entity operations, the significance of potential issues that may be identified by an audit, and the impact of the program on the public.

2.4 As a result of our work, we provide recommendations to management to address issues identified. We do not, however, infringe on management's right to select the most appropriate course of action to deal with the issues identified. As auditors, our primary concern is that action is taken to address the issues identified as a result of our audits.

2.5 Under Section 16 of the *Audit Act*, the Auditor General is required to call attention to any matters which he considers necessary to be brought to the attention of the Legislative Assembly. This report provides information on the following special audits and examinations:

- Special Education - Eastern School District;
- Food Safety;
- School Maintenance - Western School Board; and
- Inspection of Bridges.

3. SPECIAL EDUCATION - EASTERN SCHOOL DISTRICT

MAIN POINTS

What we examined

The *School Act* designates responsibility to the Minister of Education and Early Childhood Development to prescribe policies for the provision of special education programs and services to students with special educational needs. A Ministerial Directive on Special Education was developed by the Department to outline special education responsibilities for the Department, the school boards, and the schools.

For purposes of our audit, we assessed whether management practices were in place at the Department of Education and Early Childhood Development as well as the Eastern School District to comply with the Ministerial Directives related to the provision of special education programs and services.

Audit work for this report was substantially complete as of December 2010.

Why it's important

A significant number of students in the Prince Edward Island education system are accessing special education programs and services due to diagnosed conditions, learning issues, or behavioural issues. As a result, the education system is responsible for teaching a wide variety of learning capabilities. There were approximately 5,500 students with special educational requirements enrolled in PEI schools during the 2009-10 school year and 77 percent of these students were in the Eastern School District.

The Department allocates resources to provide programs and services to students with special educational needs. It is important

that systems and practices are in place to demonstrate accountability for the use of these funds.

What we found

- The accountability framework for special education is not operating as required by the Ministerial Directive. The Department has not evaluated and reported on special education programs and services. Resources allocated for special education were not adequately monitored. Further, the Eastern School District did not allocate all instructional special education positions to the schools that were provided by the Department for the 2009-10 school year.

- The funding formula used to allocate instructional special education positions is based, in part, on a high needs incidence rate that has not been updated since 1998.

- The method of allocating educational assistants has not been examined in recent years, and concerns were raised regarding the method of allocating educational assistants to schools.

- The Department has not established standards for the qualifications, experience, and training for special education instructional staff.

- The Department has not provided clear criteria on what constitutes special education programming and services, and has not clearly communicated what students should be recorded in the student database for special education.

- Intervention plans for the 2009-10 school year prepared by schools in the Eastern School District were not always completed in accordance with Departmental guidelines. In addition, referral forms for Level C (psycho-educational) assessments did not always provide adequate documentation regarding outcomes of previous assessments or other strategies implemented for the student.

- The wait time for psycho-educational assessments was 2.5 years as of September 2010. Further, there was no process in place to ensure recommendations from these assessments were reflected in the intervention plans for the students.

INTRODUCTION AND BACKGROUND

3.1 The education system in Prince Edward Island, as well as most Canadian jurisdictions, follows an inclusionary education model. An inclusionary model promotes an environment whereby students of all learning capabilities are educated together with their peers. To achieve this model, programs and services are provided to students requiring additional assistance; this additional assistance is referred to as Special Education.

3.2 Under the *School Act,* the Minister of Education and Early Childhood Development has the responsibility to prescribe policies for the provision of special education programs and services to students with special educational needs. The Ministerial Directive on Special Education (the Directive) was developed in 2001 to provide a framework for special education in the public school system. The Directive describes the roles and responsibilities of the three levels that are instrumental in the delivery of support services to students with special educational needs: the Department, the school boards, and the schools.

3.3 The Department of Education and Early Childhood Development (the Department), through the Division of Child and Student Services, provides leadership and support for special education and administers the Ministerial Directive with respect to special education. The Division coordinates the activities of the Standing Committee on Special Education and Student Services, which acts as an advisory body and makes policy recommendations to senior management in the Department.

3.4 The *School Act* designates various responsibilities to the school boards. In particular to special education, the boards are to provide for instruction in an educational program to all persons who

are enrolled in its schools. The schools are responsible for the delivery of special education programs and services to students.

3.5 The Eastern School District (ESD) is the largest of the three school boards established by the *School Act*. It consists of 36 schools, serving approximately 12,460 students in 2009-10 from grade 1 through to grade 12. Kindergarten students were transferred into the school system in September 2010. The mission statement of the ESD indicates that it is committed to excellence in education. In partnership with the community, it will provide a safe and caring learning environment in which all students have the opportunity to reach their potential and to face the future with confidence.

3.6 The ESD has established a student services team responsible for gathering information, assessing needs, allocating resources for special education to the schools, and ensuring that Departmental policies for special education programs and services are consistently followed. In the 2009-10 school year, the student services team at the Eastern School District was comprised of 4 autism consultants, a secondary inclusive education consultant, an elementary inclusive education consultant, 3 counselling consultants, 5.4 full time equivalent (FTE) psychologists, and the Leader of Student Services all reporting to the Director of Student Services.

3.7 Special Education is defined in the Directive as "programming and/or services designed to accommodate students within the public school system whose educational needs require interventions different from, or in addition to, those which are needed by most students."

3.8 Special Educational Needs are defined in the Directive as

- the educational needs of students where there is substantive normative agreement such as blind and partially sighted, deaf and partially hearing, severe and profound mental handicap, multiple handicaps;

- the educational needs of students which are significant and are considered to arise primarily from socio-economic, cultural, and/or linguistic factors; and
- the educational needs of students who have significant difficulties in learning that do not appear to be attributable to either of the above reasons.

3.9 Schools and school boards on Prince Edward Island are to determine whether students have special educational requirements based on needs assessments performed on students. The number of students identified on the database as having special educational needs are reported annually to the Department by the schools. Summary information on students with special educational needs in the Eastern School District is presented in **Exhibit 3.1** for the school years 2005-06 to 2009-10.

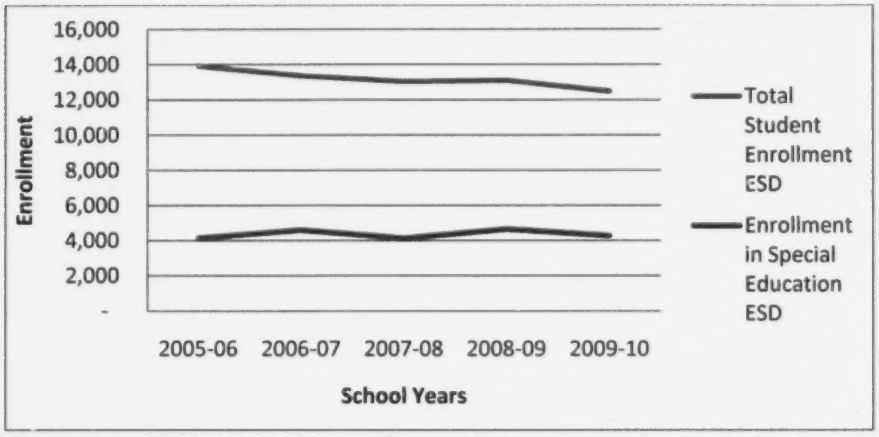
EXHIBIT 3.1
SPECIAL EDUCATION ENROLLMENT
EASTERN SCHOOL DISTRICT
SCHOOL YEARS ENDED JUNE 30

	2005-06		2006-07		2007-08		2008-09		2009-10	
Diagnosed Conditions										
Total Diagnosed Conditions	2,200	53%	2,425	53%	1,764	43%	1,738	37%	1,293	31%
Undiagnosed Conditions										
Learning Issues	1,345	33%	1,620	35%	1,676	41%	2,171	47%	2,173	51%
Behavioural Issues	593	14%	544	12%	672	16%	731	16%	746	18%
Total Undiagnosed Conditions	1,938	47%	2,164	47%	2,348	57%	2,902	63%	2,919	69%
Total Students with Special Educational Needs	4,138	100%	4,589	100%	4,112	100%	4,640	100%	4,212	100%

Source: Department of Education and Early Childhood Development (unaudited)

3.10 **Exhibit 3.2** illustrates that students with special educational requirements enrolled in the ESD have remained relatively constant over the last five years, but total student enrollment in the ESD during the same period decreased by approximately 10 percent.

EXHIBIT 3.2
TOTAL STUDENT ENROLLMENT AND
TOTAL SPECIAL EDUCATION ENROLLMENT
EASTERN SCHOOL DISTRICT



Source: Department of Education and Early Childhood Development (unaudited)

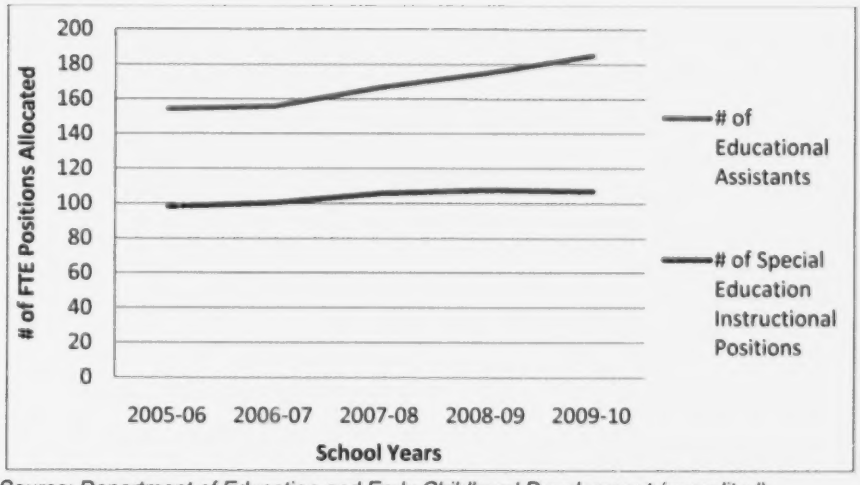
3.11 Students are provided special education programs and services based on individual assessed need. Most of these programs and services are provided within the classroom environment, but may also be provided by resource support outside the classroom environment where necessary. Special education services may include the development of individual intervention plans, educational assistant (EA) support, youth service worker (YSW) support, access to assistive technology, and transition planning, as well as direct resource support either on an individual or group basis.

3.12 Funding for special education to the ESD is primarily in the form of instructional and non-instructional positions. Instructional positions for special education include resource teachers, instructional staff for the Reading Recovery Program, instructional staff for the Primary Literacy Intervention Program, inclusive education consultants, and autism consultants. Non-instructional positions in special education include primarily EAs, YSWs, and personal care assistants.

3.13 In 2009-10, the Eastern School District was allocated 106.97 full-time equivalent (FTE) instructional positions for special education including 91.25 FTE resource positions and 15.72 FTE instructional positions for reading programs. The total budgeted cost for these positions was approximately $8.6 million. In the same year, the Department provided 184.79 EA positions and 19.5 other auxiliary support positions to the ESD at a total budgeted cost of $9.6 million.

3.14 Special education instructional staff funding, excluding funding for reading program positions, is allocated each year by the Department using a funding formula based on the student population. Educational assistants are allocated through a negotiation process based on budgeted funds available in each year. As can be seen in **Exhibit 3.3**, the number of special education instructional positions allocated to the ESD increased approximately 9 percent over the last five school years, while the number of EA positions increased approximately 20 percent over the same period.

EXHIBIT 3.3
DEPARTMENTAL ALLOCATIONS FOR EDUCATIONAL ASSISTANTS AND SPECIAL EDUCATION INSTRUCTIONAL POSITIONS EASTERN SCHOOL DISTRICT



Source: Department of Education and Early Childhood Development (unaudited)

3.15 Other costs associated with the provision of special education programs and services include funding for equipment and materials; funding for Hearing Education Auditory Resources (HEAR) services for students who are deaf or hearing impaired; and an annual grant to the Atlantic Provinces Special Education Authority (APSEA), which is an interprovincial agency that provides services to students who are blind or visually impaired. Funding for HEAR and APSEA includes itinerant instructional support for students accessing these services and is not reflected in **Exhibit 3.3**.

3.16 In accordance with Section 13 of the *Audit Act*, we conducted an audit of Special Education. The objective of our audit was to assess whether the management practices in place at the Department of Education and Early Childhood Development as well as the Eastern School District complied with the Ministerial Directives related to the provision of special education programs and services.

3.17 Our audit covered the 2009-10 school year. We focused on the accountability framework in place and the processes for completing intervention plans as well as student referrals and assessments. We specifically excluded autism, English as an Additional Language (EAL), APSEA, and HEAR programs. The audit work also did not attempt to assess the appropriateness of the specific programming and services being provided to students with special educational needs.

3.18 Our audit work involved conducting interviews with principals, resource teachers, psychologists, inclusive education consultants as well as senior management at the Department and the ESD. We also reviewed various policy and guideline documents impacting special education programs and services. As well, we performed audit testing to determine compliance with Departmental guidelines for different types of intervention plans as well as referral documentation for assessment testing.

3.19 We performed our audit in accordance with the standards for assurance engagements encompassing value for money audits established by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances.

AUDIT OBSERVATIONS

ACCOUNTABILITY

3.20 The school system in Prince Edward Island operates on three levels: the Department, the school boards, and the schools. The Ministerial Directive on Special Education reflects this three tiered approach to education and assigns responsibilities for accountability to each level.

3.21 Accountability functions are a means of providing information to all stakeholders in a system to allow for effective evaluations and decision-making. The Directive states that the purpose of the accountability framework for special education is to ensure that evaluations on the effectiveness of special education programs and services occur, sufficient and appropriate funding exists, and the resources are used for the purposes intended. We expected to find that the accountability roles assigned to each level of the education system were in place and functioning according to the Directive.

Evaluation

3.22 We expected the Department to

- establish and maintain procedures for the evaluation and revision of special education programming and services delivered in the public schools; and
- report to stakeholders the financial results and the results of evaluations of special education programming and services provided in the public schools.

3.23 We found that the Department did not have procedures in place for the evaluation of special education programming and

services delivered in the public schools in Prince Edward Island. For example, student outcome measures could be tracked over time. Other indicators could also be monitored such as the timeliness of interventions. These measures would be useful to assess whether the programs and services in place are effective for students with special educational needs.

3.24 There are several committees in place for consultation on special education issues. These committees assist the Department in the administration of special education programs and services. However, they do not evaluate and report on the results of special education programs and services. Formalizing and documenting evaluation procedures would help to ensure that regular reviews of the effectiveness of special education programs and services are conducted.

3.25 During our audit, principals and resource teachers interviewed expressed concerns in various areas further highlighting the need for an evaluation process. Interviewees, in particular those in rural areas, expressed concern over the need for more collaboration with various government departments and agencies. As well, interviewees expressed concerns over the lack of training for teachers in the areas of differentiated instruction, developing modifications to enable parallel programming in the classroom, and the development of other types of interventions.

3.26 We noted reporting for special education programming and services is primarily provided through the Department of Education and Early Childhood Development's Annual Report. The most recent annual report available at the time of our audit was for the fiscal year 2008-09, and it did not provide evaluation information on special education or the total cost of special education.

Recommendation

3.27 In accordance with the Ministerial Directive, the Department of Education and Early Childhood Development should evaluate and report on special education programs and services.

Allocation of Resources

3.28 Instructional special education resource positions are allocated to the ESD using an established funding formula. The allocations are based on the ESD's student population, and changes in the number of positions are to follow enrollments. The formula is divided into two parts to address both high needs and general needs of the student population. To address core or high needs, one position is assigned for every 14 students as determined by an incidence rate which is set at seven percent. To address general or lower needs, one position is assigned for every 500 students. This funding formula includes resource positions as well as consultant and coordinator positions as approved by the Minister but does not include instructional staff for the reading programs.

3.29 We expected the Department to periodically review and update the funding framework for special education to ensure it reflects the needs for special education programming and services.

3.30 The funding formula was reviewed in 2008 by an external consultant and no changes were made by the Department. The review focused on instructional staff for all educational programs and did not include a review of non-instructional or materials funding for special education programming and services.

3.31 At the time of our audit, the funding formula in place provided funding, in part, using an incidence rate of seven percent for high needs students. This incidence rate was based on a special education study conducted in 1998 that used statistical information available at that time. The incidence rates that existed over twelve years ago may not be reflective of the current incidence rate of high needs students.

3.32 Educational assistants are non-instructional staff. They are auxiliary support who work with students that have special educational needs, are on individual education plans, and require support in one or more of the following areas: personal care, social skills, behavior, and cognitive function.

3.33 Funding for EA positions is provided separately from instructional staff and is not based on a funding formula. We were informed by the Department that the budgeted resources allocated for EAs are usually divided in a 60-30-10 split to the Eastern School District, the Western School Board, and the French Language School Board respectively. EA positions are based on requests to the ESD from the schools. The ESD allocates EA positions based on criteria for prioritizing students with special educational requirements. These criteria were established by the Department.

3.34 Schools compete for EAs and the allocation of EA positions to schools is based on needs identified by the schools. School requests for EA positions normally exceed allocations. Interviews at schools highlighted many concerns regarding the method of allocating EAs. For example, it was indicated that the criteria in place for determining priority students need to be clarified, EA requests have increased because of limited instructional resource staff, and EA skill sets have not always been matched to schools' needs.

3.35 As previously noted, **Exhibit 3.3** shows the increase in EA positions compared to special education instructional positions from the 2005-06 school year to the 2009-10 school year.

Recommendations

3.36 The Department of Education and Early Childhood Development should re-examine the funding formula in place for instructional special education resource positions.

3.37 The Department of Education and Early Childhood Development, in conjunction with the Eastern School District, should re-examine the method of allocating educational assistant positions to schools.

3.38 The Department allocates special education resource positions to the ESD each year and the ESD, in turn, is to allocate the positions to the schools in accordance with the Ministerial Directive for staffing. We expected the ESD to adhere to the

Ministerial Directive on staffing and resource allocations for special education.

3.39 For the 2009-10 school year, the Department allocated funding to the ESD for 91.25 instructional FTE special education resource positions, excluding psychologists and counseling consultants. We were unable to reconcile these positions to the special education resource positions that were allocated by the ESD to the schools. Based on our analysis, the number of instructional resource positions allocated to the schools was approximately 16 FTE positions less than provided by the Department.

Recommendation

3.40 The Eastern School District should allocate instructional special education resource positions based on the approval by the Department.

Monitoring and Reporting

3.41 We expected

- the Department to review and monitor the school boards resource allocations to ensure special education resources were used as intended;
- the ESD to report to the Department on the delivery of special needs programming and services, including the utilization of staffing and resource allocations for special education;
- the Schools to provide information to the ESD on the utilization of staffing and resource allocations; and
- the Schools to provide information annually to the ESD on the profiles of its students with special educational needs.

3.42 We noted that the Department did not review and monitor the instructional positions allocated for special education. The Department collected school annual profile information directly from the schools, which included information on the total FTE of resource teachers in each school; however, this information was

not analyzed to determine whether the instructional staff levels approved for special education were allocated to the schools.

3.43 The ESD does not formally report to the Department on the delivery of special education programming and services, including the utilization of staffing and resource allocations for special education.

3.44 The Schools do not formally report to the ESD on special education staffing and resource allocations. At the end of each academic year, the schools do submit a school annual profile to the Department. The profile provides data such as the number of students accessing student support services, the number of students on intervention plans, the number of students with diagnosed medical conditions, and the number of students with undiagnosed conditions.

Recommendations

3.45 The Department of Education and Early Childhood Development should obtain and monitor information from the Eastern School District on the staffing and resource allocations for special education.

3.46 The Eastern School District should obtain information from the schools on the utilization of staffing allocations for special education.

3.47 The Eastern School District should report to the Department on the delivery of special education programs and services, including the utilization of staffing and resource allocations.

Qualifications

3.48 We expected the Department to have established qualification standards for special education instructional positions. The Department did not have established standards for qualifications, relevant experience, and training for special education personnel.

3.49 The ESD informally promoted the hiring of special education resource teachers with relevant education and experience. The ESD has also required that resource teachers obtain qualifications for administering Level B assessments.

3.50 Established standards for qualifications, relevant experience, and training for special education resource teachers would help to ensure consistency and quality in the programs and services for special education delivered in schools across the ESD and the Province.

Recommendation

3.51 The Department of Education and Early Childhood Development should establish standards for the qualifications, experience, and training for special education instructional positions.

STUDENT INFORMATION DATABASE

3.52 Each school in Prince Edward Island uses a database management system to record information about its students. Specific data is recorded for students that access special education programs and services.

3.53 During our audit, we obtained ESD data from the system related to special education. We noted that the special education section of the system was being used at the schools to record student support services provided to all students. For example, for the 2009-10 school year approximately 48 percent of the students identified as having special educational requirements were not recorded as following a formal Individual Education Plan (IEP), modification, or adaptation intervention plan. Therefore, all of these students may not necessarily meet the definition of having special educational needs as outlined in the Directive.

3.54 We also identified instances where students were noted as following an intervention plan; but when we contacted the school to obtain a copy of the intervention plan, we were informed that no interventions were in place for the student, or a different type of

intervention than what was noted on the system was in place. There were other instances where students moved out of the ESD, but the database was not updated.

3.55 Through our interviews at selected schools, we noted inconsistencies in how schools entered special education data in the system. In some cases, it was used as a timekeeping system to demonstrate the utilization of student services staff. Some schools indicated that they recorded gifted students under special education, while others did not. There were also differences in opinions among school personnel on what is considered special education and therefore what to enter in the database. With inconsistencies in data entry, the reliability of the database for information reporting is questionable.

3.56 Using information from the database, the Department produces a document referred to as the "Annual School Profile Data." It shows the number of special education students reported by the schools. The document is used for policy decisions and as a base to report to Statistics Canada on special education in the Province.

3.57 Department management indicated that they were not comfortable with the numbers reported in this document and told us that they were concerned that over-identification was occurring. As a result, neither management at the ESD nor the Department could confirm for us the total number of special education students in the District.

3.58 Some training has been provided to school staff on using the student database. However, clear guidelines were not communicated to schools to provide guidance on recording undiagnosed students in the database, which presents a risk of over-identification and inconsistencies.

Recommendation

3.59 The Department of Education and Early Childhood Development should establish and communicate clear criteria on what constitutes special education programming and services and which students should be recorded in the student database.

STUDENT ASSESSMENT PROCESS

3.60 The Department defines an assessment as a systematic process of gathering information from many sources in order to make appropriate educational decisions for students. This on-going process is designed to identify students' strengths and needs, which in turn helps to determine appropriate strategies to assist in the development of the students' educational plans. For the assessment process to be successful, there must be on-going documentation on the observations, strategies, and any informal or formal assessments completed for the student.

Pre-referrals

3.61 When a student enters the school system, sometimes he/she may already have a diagnosis and/or an intervention plan in place for a special educational need. In other cases, however, the student's special educational need is identified in the school environment.

3.62 The Ministerial Directive on Special Education indicates that guidelines should be established by the Department for a pre-referral and referral process for students to access special education programs and services. We found that a document was produced in 2004 entitled "Student Assessment Process: Standards and Guidelines," which lays out the process from pre-referral to referral to assessment for identifying students with special educational requirements.

Interventions

3.63 Where deemed necessary, more formalized instruction techniques which are referred to as intervention plans may be implemented for the student. Intervention plans may be either in the form of an adaptation, a modification, or a formalized Individual Education Plan (IEP) depending on the individual needs of the student. For the 2009-10 school year, based on information in the database, approximately 7 percent of special education students in the ESD had a formal IEP, approximately 10 percent of students had modifications, and approximately 28 percent of students had adaptations.

3.64 Adaptations are intervention plans put in place that enable a student to participate in the regular curriculum. Students with adaptations achieve the same learning outcome as their peers but have changes made in the instruction method and/or assessment procedures to assist them in their learning. For example, a student may be able to take a test orally rather than written, or a student may have additional time to complete an assignment or test. Full credits are granted for adapted courses, and adaptations are to be documented and kept in the students' cumulative records.

3.65 Modifications are intervention plans that change the curriculum outcome for the student and therefore do not provide the same credit as a regular prescribed course. When a student's program/subject is modified, typically the level of complexity of the concepts being taught is substantially different than the regular curriculum. The decision on the level of complexity of the modification is determined by individual academic assessments, both formal and/or informal.

3.66 It is important to note that adaptations and modifications are reversible. These plans are to be reviewed on a regular basis and updated as required as a student's need changes.

3.67 An IEP is an intervention plan that is developed and put in place for a student who requires programs and services that are substantially different from his/her peers.

3.68 We expected that all intervention plans, whether adaptations, modifications or formal IEPs, would be documented following the prescribed format set out in the Departmental document entitled "Individualized Education Planning." To test that the guidelines outlined in this document were being followed, we selected a sample of formalized IEPs as well as a sample of adaptations and modifications. We reviewed the contents of the intervention plans for compliance with the guidelines to determine whether the interventions were documented, approved, and updated on a regular basis.

3.69 Except for one instance, all students in our sample had a documented IEP for the 2009-10 school year on file at the ESD. The other IEPs met the guidelines on content with the exception of information on the existence of emergency or transition plans for the student. These areas were often left blank leaving the reader unclear if such plans were in existence.

3.70 We also found that the IEPs were not approved by all required stakeholders (parents, administration and IEP coordinator) in 16 percent of the files examined. Documentation existed to show that the IEPs examined were updated regularly by the schools, except in one case where an updated IEP was not provided.

3.71 The schools are also required to submit the IEPs to the ESD office annually for review and approval by the inclusive education consultants (the consultants). The review and approval process is an important step as it helps to ensure the IEPs are updated on a regular basis by the schools, and provides an additional quality review of the intervention plan to help ensure the relevancy and effectiveness of the student's individualized program. We noted, however, that the consultants do not formally document their approval on the submitted IEPs. By not having a formalized sign off procedure, a risk exists that IEPs may be missed for the consultant's review or incomplete reviews of the IEPs may occur.

Recommendations

3.72 The Eastern School District should ensure that IEPs are developed and/or updated for all students where necessary.

3.73 The Eastern School District should ensure that IEPs are

- **completed in all areas and areas that are not applicable for a student are clearly identified;**
- **formally approved by all required stakeholders; and**
- **formally signed off by inclusive education consultants.**

3.74 For the modification interventions in our sample, a completed modification form could not be provided by the schools for 17 percent of our sample. Of the modification forms reviewed, 43 percent were generic and not completed based on the student's individual programming. In 86 percent of the forms provided, there was a lack of documentation around the student's current level of performance and also the required review date of the modification plan. Approval signatures by all required parties were obtained in all the modification forms reviewed.

3.75 For the adaptation interventions in our sample, a completed adaptation form could not be provided by the schools for 25 percent of our sample. We also noted that in one third of the adaptation forms provided, parental approval signatures were not obtained on the forms. Although the adaptations do not change the curriculum outcome for the student, parental signatures are required by the Departmental guidelines.

Recommendations

3.76 In accordance with Departmental guidelines, schools in the Eastern School District should ensure complete and individualized documentation is on file for students' modified programs outlining the timing, nature, and extent of modification as well as any required approvals.

3.77 In accordance with Departmental guidelines, schools in the Eastern School District should ensure completed and properly approved adaptation forms are on file for all adaptation interventions.

Referrals and Assessments

3.78 Level B assessments are the first level of formal assessments that are performed to determine a student's strengths and needs. Referrals for these assessments are generally made by a teacher and, with parental approval, are submitted to the school's student services team.

3.79 The outcomes of the Level B assessments essentially provide insight on the grade level performance of the student in core subject areas. These assessments may provide enough information on the students learning abilities to effectively develop appropriate educational programming. If not, further testing may be sought from psychologists at the ESD office.

3.80 Level C assessments, or psycho-educational assessments, are assessments of the psychological aspects of learning as well as the academic skills of the student. The assessments look at such psychological aspects as intelligence, language skills, memory, verbal and visual learning, attention/concentration, eye-hand coordination for paper-and-pencil tasks, planning ability, and reflective/impulsive response style. The academic skills tested include such things as reading, spelling, writing, mathematics, academic fluency, listening comprehension, and oral expressive skills.

3.81 Psycho-educational assessments not only provide invaluable information to teachers, parents, and the student but also the results of these assessments are accepted evidence in applications for various government assistance programs. For a student to obtain a psycho-educational assessment, a formal referral must be sent to the ESD by the school and be approved by parents.

3.82 We selected a sample of referral forms for psycho-educational assessments from various ESD schools during the

2009-10 school year. We reviewed these referral forms to determine if the referrals were completed in accordance with established Departmental guidelines and followed up by the ESD on a timely basis. Normally this follow up would be in the form of conducting the requested psycho-educational assessment, but in some instances consultation with psychologists may determine that an assessment is not necessary.

3.83 In accordance with Departmental guidelines, we expected referrals submitted for psycho-educational assessments to include a statement that clearly outlined the concern, an explanation of the reason for the concern, documentation from observations of the problem, documentation on strategies used to resolve the problem, and the outcomes of these strategies. Documentation of strategies should include the results of Level B assessment testing.

3.84 We found that referral forms submitted to the ESD by the schools during the 2009-10 school year for psycho-educational assessment testing did not contain sufficient documentation in 43 percent of our sample, including information on intervention strategies previously implemented by the school for the student and/or on the outcomes of these interventions.

3.85 We also noted in 43 percent of our sample, the referral forms submitted to the ESD did not include information or documentation on Level B assessments prepared at the school level. To determine if the Level B assessments were, in fact, completed at the school level for these referrals, we requested evidence directly from the schools. For 29 percent of the referrals in our sample, evidence of Level B assessment testing could not be provided by the schools.

3.86 The Ministerial Directive requires that standards and guidelines be established for the performance of assessments and the assessment reporting process. We noted that the Department has guidelines in place for assessments and assessment reporting for students with special educational needs.

3.87 We expected the ESD to adhere to these guidelines in preparing and reporting on assessments. We reviewed a sample of

psycho-educational assessments prepared by the ESD in the last five years. We found that the assessments were conducted at the ESD by qualified personnel in accordance with the guidelines established by the Department. As well, the assessment reports were prepared by ESD staff in standard formatting and followed the guidelines issued by the Department.

3.88 During our audit, we noted that there was no process in place to ensure IEPs are updated based on the recommendations from the psycho-educational assessments. We found no one at the ESD office was assigned to follow through and ensure these assessment recommendations were reflected in an updated IEP. Without assigned responsibility in this area, a risk exists that the student may not have appropriate interventions in place to enhance their learning capabilities.

3.89 For the 2009-10 school year, referral forms for psycho-educational assessments were submitted directly by the schools and placed in a queue with little triaging. Essentially, the assessments were performed on a first come first serve basis. We further noted that as of September 2010, the wait time for psycho-educational assessment testing was approximately 2.5 years. Our interviews with principals and resource teachers indicated that the school continues to provide various supports either in the form of educational interventions, resource support, and/or on-going informal assessments. However, without the psycho-educational assessment the appropriate interventions for the student may not be in place on a timely basis.

3.90 We were advised that in the fall of 2010, the ESD changed the referral process for psycho-educational assessment testing to a more consultative approach whereby psychologists meet with the schools three times a year to prioritize students for assessments and also provide more consultation on interventions prior to moving ahead to conduct a full psycho-educational assessment. We did not conduct any audit procedures on this new referral process as it was outside the time frame covered by our audit scope. We were informed, however, that the goal of this new approach is to reduce wait times and help eliminate unnecessary referrals.

Recommendations

3.91 The Eastern School District should ensure referrals for psycho-educational assessments are supported by all required documentation in accordance with Departmental guidelines.

3.92 The Eastern School District should take action to improve wait times for psycho-educational assessments.

3.93 The Eastern School District should implement procedures to ensure recommendations from psycho-educational assessments are reflected in the students' intervention plans.

3.94 Our report was discussed with management of the Eastern School District and the Department of Education and Early Childhood Development. They will provide our Office with a written response.

4. FOOD SAFETY

What we examined

Food Safety issues apply to all aspects of the food supply chain from food production to food handling and preparation. Food contamination can happen at any stage, but a significant risk of food borne illness occurs as a result of improperly prepared or handled foods at home or in eating establishments.

The Department of Health and Wellness administers the *Public Health Act* which addresses many aspects of public health and includes twelve sets of regulations, one of which is the *Eating Establishments and Licensed Premises Regulations.* We examined the management of the responsibilities of the Department under the *Eating Establishments and Licensed Premises Regulations.*

Environmental health officers carry out inspections on eating establishments and other food related businesses. Our audit focused on the inspection function under the Food Safety Program and also considered the Environmental Health responsibilities in relation to the inspection of community care facilities, nursing homes, and licensed child care facilities.

Audit work for this report was substantially complete as of October 2010.

Why it's important

The World Health Organization reports that up to 30 percent of the population suffers from food borne illness each year in industrialized countries. There are over 1300 eating establishments on PEI and numerous community care facilities, nursing homes, and child care facilities. It is important that the public has confidence in food storage, preparation, and handling procedures in these establishments. A well managed Food Safety Program helps ensure public health risks are minimized, monitored, and controlled.

What we found

- Although the Department of Health and Wellness had a strategic plan, the Division of Population Health had not established program objectives and performance indicators for the Food Safety Program. Performance was not routinely measured and reported.

- Management did not have sufficient reliable information to manage key aspects of the Food Safety Program.

- Eating establishments were not subject to an adequate risk assessment and the frequency of the inspections required was a minimum of once per year regardless of risk. The Environmental Health Section was struggling to meet the minimum annual inspection requirements.

- Instances were noted where eating establishments were not inspected for over two years, and follow up of unsatisfactory inspections was not carried out in the required timeframe.

- A significant number of eating establishments did not have their approval certificates renewed on a timely basis. As well, instances were noted where approval certificates were renewed without adequate consideration of the inspection history of the establishment.

- The standardized inspection reports used were in a summarized format making it difficult to determine if all requirements in the Regulations were considered by the inspector. In addition, cases were noted where the inspection reports were not fully completed, and where the requirements of the Regulations were applied differently under similar circumstances.

4.1 In Canada, both the federal and provincial governments have regulatory responsibilities regarding food safety. At the federal level, Health Canada establishes policies and standards regarding the safety and nutritional quality of food sold in Canada and carries out surveillance of food borne illnesses. The Canadian Food Inspection Agency (CFIA) inspects all federally regulated food processing establishments, which are generally those that move products across provincial or national borders.

4.2 The Department of Health and Wellness (the Department) has responsibility for certain food safety issues under its mandate for protection of public health. There are several functions used to categorize the broad range of services which fall under the umbrella of public health. **Exhibit 4.1** describes the six essential functions of public health which are recognized by the Public Health Agency of Canada.

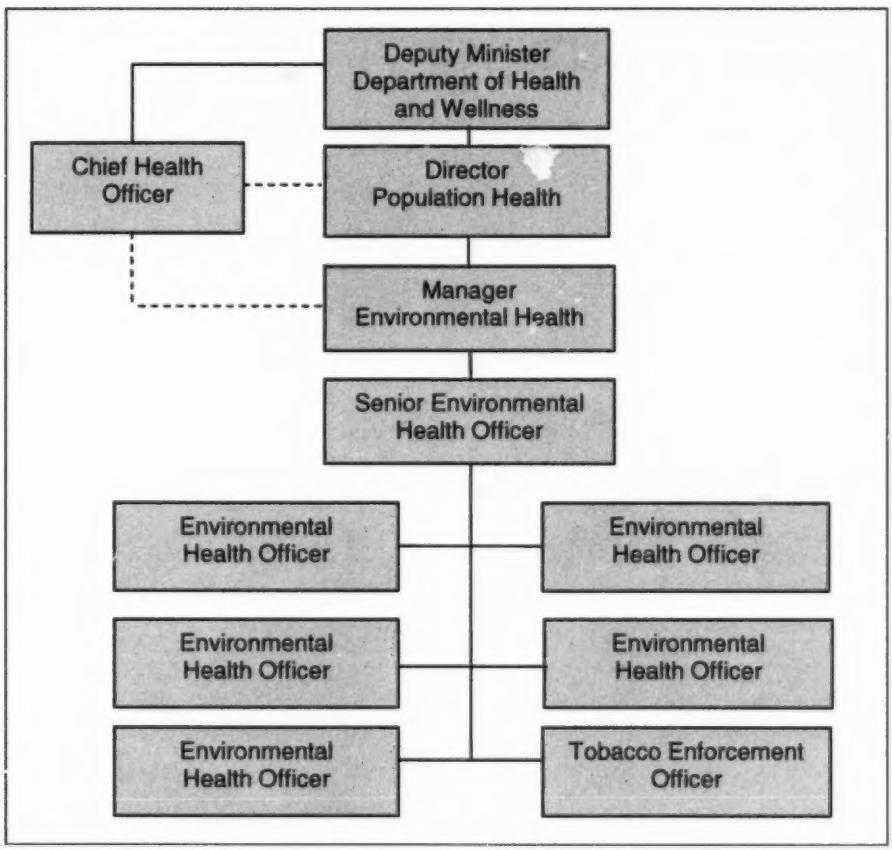
EXHIBIT 4.1
SIX ESSENTIAL FUNCTIONS OF PUBLIC HEALTH

1.	**Health Protection**	Actions to ensure water, air, and food are safe; Protection from environmental threats or hazards through regulation, inspection, and enforcement.
2.	**Health Surveillance**	The ongoing systematic collection, use, and sharing of health data for the purpose of tracking and forecasting health events or health determinants.
3.	**Disease and Injury Prevention**	Preventive measures to reduce the risk of injury and disease including immunization, screening, and infection control.
4.	**Population Health Assessment**	Monitoring the health status of communities or specific populations through epidemiological study and measuring the effectiveness of public health policies and programs.
5.	**Health Promotion**	Encouraging healthy lifestyles and safe behaviours through education, personal skill development, and community partnerships.
6.	**Emergency Preparedness and Response**	Planning for and responding to disasters.

Adapted from: Chief Public Health Officer's Report on the State of Public Health in Canada 2008

4.3 The Department carries out numerous activities related to health protection through the Division of Population Health. The Environmental Health Section of the Division is responsible for administering the Food Safety Program. **Exhibit 4.2** shows the organization chart for the Environmental Health Section.

EXHIBIT 4.2
DEPARTMENT OF HEALTH AND WELLNESS
DIVISION OF POPULATION HEALTH
ENVIRONMENTAL HEALTH SECTION



4.4 The Department administers the *Public Health Act* which addresses many aspects of public health and includes twelve sets of regulations, one of which is the *Eating Establishments and Licensed Premises Regulations*. The Food Safety Program has been developed with a goal to prevent food borne illness through

consultation, education, and enforcement of the Regulations. Environmental health officers carry out inspections on eating establishments, other food related businesses, as well as certain institutions, to test for compliance with the *Public Health Act* and *Eating Establishments and Licensed Premises Regulations*.

4.5 These Regulations define eating establishments as any premises where ready-to-eat food is prepared for sale or sold to the public and includes the following types of establishments:

- restaurants;
- bakeries;
- cafeterias;
- banquet facilities;
- take out establishments; and
- vending outlets.

Certain institutions meet the definition of eating establishment as set out in these Regulations such as schools and hospitals with cafeterias. As of May 7, 2010 the Environmental Health Section had identified 1369 eating establishments and food related businesses requiring inspection.

4.6 *The Eating Establishments and Licensed Premises Regulations* are referenced in other legislation, for example, the *Community Care Facilities and Nursing Homes Act Regulations*. For the most part, nursing homes and community care facilities are required to follow the *Eating Establishments and Licensed Premises Regulations* in regards to food preparation and handling. Environmental health officers are required to inspect these facilities.

4.7 In addition, the *Child Care Facilities Act Regulations* require child care facilities to be inspected by environmental health officers. These regulations do not reference the *Eating Establishments and Licensed Premises Regulations* although they do include a section on sanitary food preparation. In general, the environmental health officers follow the same inspection procedures as they would for eating establishments.

4.8 The objective of this audit was to assess whether the Department of Health and Wellness had adequate systems and practices in place

- to determine whether food service establishments in the Province were complying with the relevant sections of the *Public Health Act and the Eating Establishments and Licensed Premises Regulations*; and
- to manage and report the results of the Food Safety Program.

4.9 Our audit covered the inspection of eating establishments as defined under the *Eating Establishments and Licensed Premises Regulations* as well as nursing homes, community care facilities, and licensed child care facilities.

4.10 Our audit included a review of various documents including legislation and regulations, consultants' studies, federal/provincial/territorial committee minutes, and food safety inspection reports. We selected a sample of eating establishments on record at May 2010 and examined related inspection reports prepared prior to March 31, 2010. We reviewed and analyzed summary reports from the environmental health information database. In addition, we interviewed senior management of the Division of Population Health, the Chief Health Officer, several environmental health officers, representatives of Information Technology Shared Services, as well as industry representatives.

4.11 We performed our audit in accordance with the standards for assurance engagements encompassing value for money audits established by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances.

AUDIT OBSERVATIONS

OVERSIGHT AND ACCOUNTABILITY

4.12 The Food Safety Program is one program developed to fulfil the Department's mandate related to health protection. We expected the Department to have documented goals established for the Food Safety Program and a process in place to measure and report on the results achieved.

4.13 After an extensive process, the Department released a strategic plan for the period 2009-12 which set out four broad goals, ten objectives, and related performance indicators. The goals and objectives in the strategic plan do not address public health program areas. We were advised that the strategic plan was aligned to address key focus areas for the Department but was not intended to provide objectives and targets for every program delivered through the Department. Each Division would be expected to develop its own plan for this purpose. Although a visioning exercise was carried out in 2008, we found the Division of Population Health did not have a strategic plan with objectives and targets related to the program areas within the Division. Performance indicators had not been developed for the Food Safety Program. We were advised that in 2009-10 all available resources of the Division were directed to the response to the H1N1 pandemic as well as departmental restructuring. As a result, key planning processes were put on hold.

4.14 In the absence of program objectives and performance indicators, we would expect the Environmental Health Section to report on compliance with legislative requirements. *The Eating Establishments and Licensed Premises Regulations* require eating establishments to be inspected at least annually and we looked for performance information on this requirement to be reported to senior management.

4.15 In September 2006, the Privacy Commissioner released a report stemming from an appeal filed under the *Freedom of Information and Protection of Privacy Act*. In the report, the

Commissioner concluded there was no reason not to disclose food safety inspection reports and asked the Department of Health to consider the routine disclosure of such information. As a result, the Department developed a policy stating that inspection reports would be available on the Department of Health website effective October 2007. In the interim, the Department committed to post on the website every two months the warnings issued to eating establishments. At the date of our audit, the Department was still publishing warnings every two months, however routine access to inspection reports through the website had not been achieved.

4.16 The public release of information on establishments that have been issued warnings is informative and provides the public with information resulting from the inspection function. However, it does not put into perspective the performance of the program overall in terms of whether it is achieving the objectives intended, and therefore is not a substitute for overall performance reporting on the program.

Recommendations

4.17 The Division of Population Health should develop objectives and related performance indicators for the Food Safety Program.

4.18 The goals and results achieved through delivery of the Food Safety Program should be measured and reported on a regular basis.

4.19 In accordance with Department policy, the Department of Health and Wellness should take action to provide public access to food safety inspection reports.

PLANNING INSPECTIONS

4.20 Under the Food Safety Program, the Environmental Health Section is charged with carrying out periodic inspections of eating establishments to ensure compliance with the *Eating Establishments and Licensed Premises Regulations*. We expected the Section to carry out routine inspections in accordance with an inspection plan based on an assessment of risk. It is a generally

accepted practice that the frequency of food safety inspections would reflect a consideration of the risk associated with the food service establishment.

4.21 A risk categorization model was developed by the Federal/Provincial/Territorial Committee on Food Safety Policy which has been widely adopted by other provinces. This model provides guidance on rating food service establishments as low, moderate, or high risk based on consideration of major risk factors such as the type of food served, the food preparation required, the vulnerability of the population being served, the equipment and facilities, and the food safety knowledge of the management and employees.

4.22 At the time of our audit, this risk categorization model had not been adopted by PEI. Management advised that efforts were made to initiate the process previously, but with the limited staff resources available, the completion and documentation of the risk assessments would affect the Section's ability to meet the minimum annual food safety inspections required by Regulation. Approval for the creation of three additional environmental health officer positions was received in January 2010, and the positions were filled in early summer. We were advised the intention was to implement the risk categorization model in late 2010.

4.23 At the time of our audit, a risk rating was assigned to each establishment that was subject to a food safety inspection. This risk rating was based on a subjective assessment carried out by the environmental health officer. There was no documentation maintained on how this assessment was carried out, and therefore we could not determine what factors were considered, or if the same factors were considered in each case.

4.24 The implementation of a risk assessment process is an important step in the establishment of an appropriate food safety inspection plan. Another key step is assigning the required inspection frequency based on a consideration of risk as well as past inspection history and availability of human resources. Based on best practices, an acceptable inspection frequency would be

three times per year for high risk establishments and twice per year for moderate risk establishments.

4.25 The *Eating Establishments and Licensed Premises Regulations* require a minimum annual inspection for each establishment but do not address risk. At the time of our audit, the Environmental Health Section was striving to achieve an annual inspection of all premises with follow up of noted violations.

Recommendations

4.26 To help maximize public health protection, the Environmental Health Section should adopt a model to categorize eating establishments based on documented risk assessments.

4.27 Documented risk assessments should be updated regularly as part of the inspection process.

4.28 The Environmental Health Section should establish a policy setting out the required frequency of inspection for various levels of risk.

CONDUCTING INSPECTIONS

4.29 A key factor in conducting inspections is to test compliance with the established Regulations. For each requirement of the Regulations, the inspectors are responsible for assessing whether the food service establishment has achieved an acceptable or unacceptable rating. Critical to making this determination is a detailed policy and procedures manual to guide inspector interpretation of the Regulations.

4.30 We expected the Department to have a policy and procedures manual to support the inspection of food service establishments. We found that a policy and procedures manual had been documented and was updated in 2009.

4.31 We expected the inspection forms to document the examination carried out by the environmental health officer and, in particular, to document that compliance was tested for all relevant

aspects of the *Public Health Act* and the *Eating Establishments and Licensed Premises Regulations*.

4.32 The policy and procedures manual includes the requirements of the Act and Regulations as well as incorporating best practices where appropriate. There were over 170 considerations listed in the Regulations which were to be addressed during the food safety inspection. We found that the inspection report was summarized and provided documentation on less than 40 of these. When the inspection form was completed, it was not clear whether the inspector considered all requirements in the Regulations.

4.33 We expected the requirements of the Regulations to be consistently applied. In some areas, the application of the Regulations requires professional judgement. For comparison purposes, we selected two specific requirements of the Regulations and compared how these were assessed for the inspection reports in our sample. We noted inconsistencies in our sample where the same violation was rated as improvement required in some cases and unsatisfactory in others. An unsatisfactory rating will trigger a re-inspection whereas an improvement required rating would not.

4.34 Under the Food Safety Program, the environmental health officers essentially carry out two types of inspections. One is a full routine inspection where all aspects of the inspection report are required to be completed. The second is where an unsatisfactory result has occurred on the routine inspection and the inspector is following up corrective action on that area. In the latter case, the inspector would normally complete only the sections of the inspection report that were related to the previous unsatisfactory inspection.

4.35 For routine inspections, we noted a number of instances where the inspection reports were not fully completed. Of the inspection reports examined, 10 percent were missing applicable information.

Recommendations

4.36 The Food Safety inspection form should be reviewed and updated to ensure it reflects the requirements of the *Eating Establishments and Licensed Premises Regulations*.

4.37 A quality control process should be implemented to monitor a sample of inspection reports from each inspector to assess consistency in the application of the *Eating Establishments and Licensed Premises Regulations*.

4.38 Food Safety inspection reports should demonstrate that all aspects of the inspection have been addressed by the inspector.

4.39 Under Regulation, the Environmental Health Section carries out annual inspections for all eating establishments and licensed premises, child care facilities, as well as community care facilities and private nursing homes. The total listing of establishments is allocated into zones and each zone is assigned to an inspector. Each inspector obtains from the database a listing of the upcoming inspections in order to plan his or her inspection work. In this respect, the completeness of the database is essential for thorough inspection coverage to be achieved. We expected the Environmental Health Information System (EHIS) database to include all eating establishments and related institutions that are required to be inspected under the Food Safety Program.

4.40 The Environmental Health Section does not have a process in place to periodically assess the completeness of the database. Many eating establishments on the database are subject to a licensing procedure or other controls imposed through another government department or agency. For example, all restaurants that serve liquor must be licensed by the PEI Liquor Control Commission. The Commission has an application process which requires new food service businesses to have an inspection completed by the Environmental Health Section before they will be issued a liquor license.

4.41 We obtained information from various government departments and agencies to assess the completeness of the

database. We limited this information to specific types of establishments as follows:

- Department of Education and Early Childhood Development - licensed child care facilities;
- Eastern, Western and French School Boards - schools with cafeterias and/or breakfast programs;
- Liquor Control Commission - licensed premises;
- Department of Health and Wellness - private nursing homes and community care facilities, public nursing homes, and hospitals; and
- Department of Finance and Municipal Affairs - food service related businesses that had received a sales tax number within the last three years.

4.42 We cross referenced entities identified from these government departments and agencies to the EHIS database and found a number of active organizations that were not listed on the EHIS database and had not been inspected.

Recommendation

4.43 The Environmental Health Section should periodically assess the completeness of the Environmental Health Information System database to ensure it includes all establishments that require food safety inspections.

FREQUENCY OF INSPECTIONS

4.44 Based on the *Eating Establishments and Licensed Premises Regulations,* eating establishments are to be inspected at least annually. In accordance with established policy, we expected each eating establishment to have a routine inspection carried out within one year from the date of the last satisfactory inspection.

4.45 We selected a sample of 68 eating establishments and examined the frequency of inspections among other issues. We found that for 20 establishments, or 29 percent of our sample, the length of time between inspections was greater than one year.

4.46 Using our sample, we also examined the frequency of violations. We found that 18 percent of the sample items received an unsatisfactory rating in the inspection report and required a follow-up inspection. The policy for follow-up inspection is to set a date for the follow up based on the nature of the corrective action required but within fourteen days. Special arrangements may be made if the violation requires the eating establishment operator to hire a contractor, for example, to make specific repairs. In general, the intention is that the violation will be corrected within a short time frame.

4.47 For the sample items requiring a follow-up inspection, we tested to determine whether the re-inspection occurred within the time frame established at the initial inspection. We found that 50 percent of the sample items requiring follow up were not re-inspected within this time frame. In one case, the inspection that resulted in an unsatisfactory rating occurred on May 7, 2009 and the follow-up inspection occurred on January 11, 2010. In another case, the inspection that resulted in an unsatisfactory rating occurred on September 28, 2009 and as of May 7, 2010 there had been no follow-up inspection.

Recommendations

4.48 At a minimum, all eating establishments should be inspected annually in accordance with the *Eating Establishments and Licensed Premises Regulations.*

4.49 Follow-up inspections should be carried out on a timely basis.

LICENSING

4.50 The *Eating Establishments and Licensed Premises Regulations* state that no person shall operate an eating establishment or a licensed premise without a valid approval certificate. There are five types of approval certificates and associated fees. Approval certificates expire March 31 each year.

4.51 We expected the Department to have a process in place to ensure that establishments were not operating without a valid approval certificate and certificates were not renewed without consideration of the inspection history.

4.52 Reminders are sent out each February to establishments on record. Operators send in their application with their renewal fee. The application is provided for review to the environmental health officer assigned to that zone. The officer examines the renewal application and authorizes the release of the approval certificate if the inspection history is satisfactory. Where there have been issues or the inspection is overdue, the officer is expected to delay the release of the approval certificate until the establishment is re-inspected.

4.53 We identified 40 establishments that as of March 31, 2010 had not been inspected since prior to March 31, 2009. In approximately half of these cases, the approval certificate had been renewed even though the most recent inspection was over one year old.

4.54 Because the approval certificates expire at March 31, there is typically increased activity at the end of March and early April. Periodically, the inspectors are provided with a list of establishments in their zone that have not applied for a renewal of the approval certificate. It is intended that these establishments be followed up on a timely basis. We examined reports from the database to assess the extent to which establishments were operating without a valid approval certificate. We noted that as of May 26, 2010 a significant number of approval certificates were outstanding amounting to approximately 20 percent of the total number of licensed eating establishments.

Recommendations

4.55 The Environmental Health Section should ensure that approval certificates are not renewed until the eating establishment's most recent inspection is current and satisfactory.

4.56 The Environmental Health Section should follow up on a timely basis with all eating establishments that have not applied for a license renewal.

PROGRAM MONITORING AND REPORTING

4.57 Effective program management requires that timely, relevant information related to program objectives be available to management for decision-making purposes. We expected management to receive periodic reports on critical performance areas of the Food Safety Program.

4.58 A key legislative requirement for the program is for all eating establishments to be inspected at least once per year. A list of all establishments that had not been inspected within the last year is an example of a critical exception report for this program.

4.59 This information was not readily available. We requested a detailed report from the EHIS to show the date of the last inspection of all eating establishments. Based on an analysis of inspection dates, expiry dates, and other factors, we identified 40 eating establishments that as of March 31, 2010 had not been inspected in over one year. Twelve of these establishments had not been inspected since prior to December 31, 2007.

4.60 In addition, we expected management to receive a listing of overdue follow-up inspections. We found an overdue inspection report was available, however it did not include reliable information.

4.61 Environmental health officers have responsibilities related to numerous health related acts and regulations. In addition, they respond to various complaints and enquiries each year. We expected management to have sufficient, reliable information to monitor the productivity of the inspectors relative to performance requirements and objectives.

4.62 Detailed information can be obtained from the system on the activities carried out by each environmental health officer and by the Section overall. However, much of the information required to manage productivity is related to the date inspections were

conducted and recorded in the system. We reviewed one month of inspection activity for one inspector and noted several instances where the wrong inspection dates were recorded in the system. This impacts the reliability of the reports generated from the system.

4.63 The computerized system has various options for recording information related to inspections, inquiries, and complaints. In addition, there are various definitions within the program that impact how the information is stored within the database such as establishment types and program types. These program descriptions are not always consistently recorded in the system. In some cases this resulted in duplicate records in the system for the same business and businesses being noted as expired when they were still operational. Reports that are later generated from the system are therefore not always reliable.

Recommendations

4.64 Management of Environmental Health should receive a regular, reliable report on overdue inspections.

4.65 The Environmental Health Section should take steps to improve the accuracy and consistency of the information recorded in the Environmental Health Information System database.

ENVIRONMENTAL HEALTH OFFICERS

4.66 We expected the Department to ensure that environmental health officers are qualified, trained, and independent of the businesses they inspect.

4.67 We found that all environmental health officers are certified by the Canadian Institute of Public Health Inspectors (CIPHI) and are therefore qualified. This certification requires completion of an education program and final examination.

4.68 Professional certification normally requires ongoing training to ensure individuals are up to date on current issues. We looked for the Department to ensure environmental health officers received

adequate training related to their work. We found that all environmental health officers received some training but there were significant variations in the extent of training received. Until 2010, continuing professional development was optional in respect to the certification from CIPHI. Beginning in 2010, a mandatory continuing professional development model has been implemented by CIPHI. These new requirements represent a significant increase in professional development investment. Although the mandatory professional development requirements recently instituted have been planned for a number of years, management at Environmental Health could not provide a plan as to how these requirements would be met.

4.69 In carrying out the inspections and completing the inspection reports a certain amount of judgement is involved in assessing compliance with the *Public Health Act* and the *Eating Establishments and Licensed Premises Regulations*. An unsatisfactory inspection can have a major impact on a food service establishment, and therefore it is important for inspectors to be free from bias and avoid situations where their objectivity could be questioned.

4.70 At the time of our audit, there was a conflict of interest policy as part of the Treasury Board Policy Manual which applied to all departmental employees, including environmental health officers. This policy provided definitions related to conflict of interest situations and procedures to follow if a conflict arises. For the period covered by our audit, each government employee was required to file a personal declaration each year which documented such things as related employment, involvement in community groups, and investment interests. We were advised that in 2005 when the health system was restructured, the Department of Health and the Public Service Commission agreed that Department of Health employees would continue to follow the conflict of interest policy in place in the former health regions. This policy did not require a personal disclosure statement. There is no documented approval of Treasury Board providing this exemption. At the time of our audit, we noted that disclosure statements were not on file for the environmental health officers. Management advised that after

we brought this issue to their attention action was taken to have the disclosure statements completed.

4.71 Treasury Board has recently approved revisions to the conflict of interest policy which requires a disclosure statement to be filed at the date of hire, when the employee's circumstances change, or at the request of the specific Deputy Minister.

4.72 One way to reduce the risk of impaired objectivity is to rotate the establishments assigned to each inspector. We were advised that the listing of eating establishments, licensed premises, and institutions are allocated into zones which are assigned to each inspector. These zones are rotated every three years with the last rotation in April 2009.

Recommendations

4.73 To ensure the requirements of the Canadian Institute of Public Health Inspectors are met, the Environmental Health Section should monitor the extent of professional development received by environmental health officers.

4.74 In accordance with conflict of interest policy approved by Treasury Board, each environmental health officer should file a personal disclosure statement.

MANAGEMENT RESPONSE

4.75 Management provided a detailed response to our report and advised that action has been or will be taken to address the recommendations.

5. SCHOOL MAINTENANCE - WESTERN SCHOOL BOARD

What we examined

Island schools play an important role in our communities. They are more than simply bricks and mortar: our children are educated there, our friends and neighbours work there. Properly maintaining our schools not only preserves taxpayers' investments, but it also helps create a healthy environment for its occupants.

The *School Act* delegates building maintenance responsibility to the school boards. For the Western School Board (WSB), that means maintaining 21 schools housing children from kindergarten to grade 12.

A sound facilities maintenance plan serves as evidence that school facilities are adequately maintained. We examined how the WSB manages its facilities maintenance role. Specifically, we looked to see whether its maintenance activities were in line with industry best practices. We focused our examination on four key areas: policy, preventative maintenance, corrective maintenance, and energy conservation measures.

Audit work for this report was substantially complete as of November 2010.

Why it's important

Having appropriate building maintenance practices is important for many reasons, and these reasons are not unique to the WSB. From a financial perspective, public buildings represent a major investment of taxpayer dollars. From a health and safety perspective, many people spend a large portion of their day in these buildings.

However, there are specific circumstances relating to the WSB's situation that make having sound school maintenance practices of particular importance. First, it has to maintain 21 school buildings including equipment, playgrounds, sports fields, and grounds. The volume of schools in itself represents a challenge. Second, the average age of these buildings is 41 years. In fact, 17 of 21 or 81 percent of the schools in the WSB are over the age of 30. Statistics Canada reports the service life of educational buildings is approximately 40 years. As such, WSB schools are approaching the end of their useful lives, which usually translates into higher maintenance costs and more costly repairs and upgrades. Finally, several key staff will be retiring in the very near future. The Superintendent of the school board and the Director of Business Services plan to retire before the end of the 2010-11 school year, and two of the three most senior maintenance staff are of retirement age.

What we found

- The WSB does not have a documented policy on school maintenance. Further, the Department of Education and Early Childhood Development (the Department) has not established standards or offered the Board guidance with regards to the maintenance of its schools.

- The WSB does not have a well structured preventative maintenance program. It manages preventative maintenance using various lists, does not highlight maintenance that is mandated by legislation, and does not perform regular, formal inspections of its buildings' overall condition.

- The WSB does not have a modernized work management system. As such, it is missing out on the benefits of such a system when managing the maintenance of its 21 schools, equipment, and grounds.

- The WSB has made energy conservation a priority in managing its facilities. The WSB has been successful in keeping annual energy costs relatively constant in recent history, despite rising

energy prices. This has been accomplished through energy conservation measures adopted by the WSB.

- The WSB has been delegated responsibility for school maintenance; however, the school board's maintenance activities are constrained by the level of funding received from the Department. Over the years, the maintenance budgets have not kept up with rising costs, and WSB maintenance expenses have exceeded the maintenance funding provided by the Department in each of the last five years.

Western School Board

5.1 The Minister of the Department of Education and Early Childhood Development has overall responsibility for the education system in PEI. The Minister's responsibilities as outlined under the *School Act* (the Act) include defining goals, standards, and priorities for the education system; providing leadership to policy; and ensuring an effective accountability framework for system performance. The Department controls the operational and capital budgets for the school boards.

5.2 Prince Edward Island has three school boards: the Eastern School District, the Western School Board (WSB), and the French Language School Board. These school boards were established by the *School Act.*

5.3 Under the Act, the Minister has delegated certain responsibilities to the boards. School boards are responsible for a wide range of activities including recruiting and managing staff, providing transportation to students, monitoring and evaluating the effectiveness of its schools, and managing facilities and equipment. Specific to facilities management, the Act broadly states that "A school board is responsible for the management of the schools in its unit and for the custody, maintenance, repair and safe keeping of all real or personal property owned, leased or in use by the school board."

5.4 The WSB is a body corporate established under the *School Act* and encompasses 21 schools across western PEI. The Board is made up of 9 trustees and reports to government via the Minister of the Department of Education and Early Childhood Development. The Board's mission statement is to provide students with relevant, high quality learning opportunities that will prepare them to become adaptive, successful citizens of the global community.

5.5 The Board is responsible for hiring and appointing a Superintendent of Education who acts as the chief executive officer. The Superintendent is directly responsible to the Board and manages four functional streams: Business Services, Human Resource Services, Education Services, and Student Services.

5.6 **Exhibit 5.1** provides some key statistics for WSB schools at October 31, 2010. As with all schools on PEI, the WSB has incorporated kindergarten into the public school system for the 2010-11 school year.

5.7 There are many ways to look at the value of these 21 schools. The WSB's 2009 audited financial statements report the capital costs of schools at $98 million with a net book value of $57 million. For insurance purposes, Risk Management and Insurance reports a replacement value of $191 million. No matter how one looks at it, the WSB schools represent an important public asset.

EXHIBIT 5.1
WESTERN SCHOOL BOARD
SCHOOL INFORMATION AT OCT 31, 2010

School	[illegible]	[illegible]	Grades	[illegible]	[illegible]
Alberton Elementary	50	45,596	K-6	167	176
Bloomfield Elementary	40	36,791	K-6	146	182
Ellerslie Elementary	36	37,907	K-6	176	190
Elm Street Elementary	49	54,060	K-6	441	500
Greenfield Elementary	33	48,907	K -6	316	324
O'Leary Elementary	49	45,596	K-6	149	168
Parkside Elementary	131	60,635	K-6	173	289
Queen Elizabeth Elementary	34	51,375	K-6	272	320
St. Louis Elementary	38	37,997	K-6	134	149
Tignish Elementary	21	35,467	K-6	216	252
Amherst Cove Consolidated	18	42,162	K-8	128	138
Somerset Elementary	26	29,601	K-8	149	166
Athena Consolidated	11	57,830	K-9	370	396
Miscouche Consolidated	47	35,972	K-9	244	290
Hernewood Intermediate	35	81,667	7-9	324	308
M. E. Calleghan Intermediate	34	81,698	7-9	282	272
Summerside Intermediate	44	92,850	7-9	573	540
Kensington Intermediate Senior High	47	85,057	7-12	435	431
Kinkora Regional High	47	39,360	9-12	186	188
Three Oaks Senior High	34	165,850	10-12	865	865
Westisle Composite High	31	161,300	10-12	663	678
	Average 41	**Total 1,327,878**		**Total 6,411**	**Total 6,822**

Source: Western School Board

5.8 Seventeen of the 21 schools or 81 percent are at least 30 years of age, and 9 or 43 percent are at least 40 years of age. As the buildings continue to age, the WSB can expect higher maintenance expenses.

Roles and Responsibilities

5.9 When it comes to Island schools, there are several departments and organizations that have a role to play alongside the WSB.

5.10 The Department of Transportation and Infrastructure Renewal assists the WSB in planning and costing prospective projects. They also tender and manage larger capital projects.

5.11 Through various pieces of legislation, a number of other government departments have a role to play in the maintenance of schools. These include

- The Department of Community Services, Seniors, and Labour administers the *Occupational Health and Safety Act* which helps ensure a healthy workplace for school staff.

- The Department of Environment, Energy, and Forestry, under the *Boilers and Pressure Vessels Act,* performs regular inspections and certifications of the schools' boilers.

- The Department of Health and Wellness, under the *Public Health Act*, requires regular water testing be performed.

- The Department of Justice and Public Safety, under the *Fire Prevention Act,* declares that the Provincial Fire Marshal is responsible for the enforcement of all laws pertaining to, among other things, the installation and maintenance of fire alarm systems and fire-extinguishing equipment.

Financial Information

5.12 The Department of Education and Early Childhood Development provides capital and operational budget dollars to the WSB. The capital budget is managed by the Department.

5.13 The operational budget, as laid out in the Ministerial Directives, provides for maintenance type activities under two line items:

- Maintenance and Operations - which is budgeted on a dollar per square foot basis; and
- Renovations, Repair, and Maintenance - which is budgeted on a dollar per student basis.

5.14 Maintenance and Operations spending includes electricity, heating fuel, general building repairs, snow removal, insurance, supplies, and rental fees. Renovations, Repair, and Maintenance spending includes building renovations less than $25,000, furniture, computers, and equipment.

5.15 As illustrated in **Exhibit 5.2**, in recent history, the WSB has consistently spent more than its budget for these maintenance activities.

EXHIBIT 5.2
WESTERN SCHOOL BOARD
MAINTENANCE BUDGETS AND EXPENSES
FISCAL YEARS ENDED JUNE 30

Maintenance & Operations Budget	$3,200,000	$3,512,000	$3,271,000	$3,160,000	$2,936,000
Renovations, Repairs, and Maintenance Budget	329,000	360,000	332,000	332,000	307,000
Additional Maintenance funds provided by Department	$519,000	$885,000	-	-	-
Total Maintenance Budget	**$4,048,000**	**$4,757,000**	**$3,603,000**	**$3,492,000**	**$3,243,000**
Maintenance & Operations Expenses	3,910,000	4,129,000	3,398,000	3,196,000	3,241,000
Renovations, Repairs, and Maintenance Expenses	432,000	883,000	398,000	496,000	213,000
Total Maintenance Expense	**$4,342,000**	**$5,012,000**	**$3,796,000**	**$3,692,000**	**$3,454,000**
Difference	**$ (294,000)**	**$ (255,000)**	**$ (193,000)**	**$ (200,000)**	**$ (211,000)**

Source: WSB audited financial statements

5.16 Exhibit 5.3 shows the original budgeted funds for maintenance provided by the Department over the last six fiscal years. As illustrated, the annual budget amounts have increased, on average, by four percent.

EXHIBIT 5.3
WESTERN SCHOOL BOARD
MAINTENANCE BUDGETS
FISCAL YEARS ENDED JUNE 30

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Maintenance and physical plant ($/ft^2)	$ 2.64	$ 2.64	$ 2.54	$ 2.48	$ 2.22	$ 2.18
Annual increase (4% average)	0.0%	3.9%	2.4%	11.7%	1.8%	-
Capital repairs and equipment replacement ($/student)	$53.04	$51.79	$50.45	$45.71	$44.80	$43.80
Annual increase (4% average)	2.4%	2.7%	10.4%	2.0%	2.3%	-

Source: Ministerial Directives

5.17 These annual increases have not kept pace with the rising cost of operations. For example, the WSB's heating and electricity rates have increased approximately 30 percent over this same time period. As illustrated in **Exhibit 5.4**, these energy costs have, on average, accounted for 67 percent of the annual Maintenance and Operations budget in each of the last five years. As energy price increases outpace budget increases, fewer dollars are left for school maintenance.

EXHIBIT 5.4
WESTERN SCHOOL BOARD
ENERGY COSTS AS A PERCENTAGE OF MAINTENANCE AND OPERATIONS BUDGET
FISCAL YEARS ENDED JUNE 30

Heat	$ 1,176,000	$ 1,592,000	$ 1,154,000	$ 1,131,000	$ 1,174,000
Electricity	1,097,000	910,000	809,000	812,000	847,000
Total Energy Costs	**$ 2,273,000**	**$ 2,502,000**	**$ 1,963,000**	**$ 1,943,000**	**$ 2,021,000**
Maintenance & Operations Budget	$ 3,200,000	$ 3,512,000	$ 3,271,000	$ 3,160,000	$ 2,936,000
% of Maintenance & Operations Budget	**71.0%**	**71.2%**	**60.0%**	**61.5%**	**68.8%**

Source: WSB audited financial statements

5.18 Even though, on a per unit basis, heating fuel and electricity rates have increased significantly in recent history, the WSB has been able to keep total annual energy costs fairly constant by taking measures to decrease consumption.

OBJECTIVE AND SCOPE

5.19 The objective of our audit was to determine whether the WSB employs a framework, based on industry best practices, to meet its facilities maintenance responsibilities as mandated by the *School Act*. Our audit focused on policy, preventative maintenance, corrective maintenance, and energy conservation during the 2009-10 school year. In conducting our audit, we interviewed industry experts, WSB staff, and representatives from other government departments. We also examined internal and external inspection results and other documentary evidence to support our findings.

5.20 We compiled a set of best practices against which the WSB's practices were compared. These best practices were identified through various sources including consultation with industry experts and literature review of widely used practices.

Management reviewed and accepted the suitability of the criteria used in the audit.

5.21 Our audit was focused on management practices. We did not examine the overall condition of the school facilities. Our scope did not include capital expenditures, renovations, or new construction. Our focus was on management of routine maintenance.

5.22 We performed our audit in accordance with the standards for assurance engagements encompassing value for money established by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances.

AUDIT OBSERVATIONS

POLICY

5.23 Having well documented policy is important for any organization. Good policies provide the framework and background for decisions and actions.

5.24 The *School Act* mandates that the school boards are responsible to maintain the school buildings, but it does not outline any specific requirements. Further, the Department has not defined any standards for building maintenance expectations or provided direction or guidelines for building maintenance. Therefore, having a well documented, comprehensive policy is important for the WSB.

5.25 Given the age and value of the assets and the importance of maintaining a healthy and safe school for staff and students, the WSB needs an overall policy framework that outlines how it is going to meet its facilities maintenance responsibilities pursuant to the *School Act.* This becomes even more critical with key personnel retiring in the near future.

5.26 We looked to see whether the WSB had documented policy that

- defines standards to be achieved including, at a minimum, meeting mandated maintenance that is prescribed by various legislation;
- references relevant acts and regulations that pertain to building maintenance activities;
- defines a process for prioritizing maintenance tasks; and
- describes the roles and responsibilities of key players.

5.27 The WSB does not have policy documentation outlining its building maintenance framework or the standards it expects to achieve.

5.28 As discussed further in the Preventative Maintenance section, the WSB has not identified all maintenance requirements that exist under specific legislation.

5.29 WSB staff stated that health and safety comes first when prioritizing maintenance tasks, but there is no documented policy outlining its process or criteria for prioritizing maintenance tasks.

5.30 The WSB does have detailed job descriptions for all senior managers and all maintenance staff. The job descriptions clearly outline the responsibilities of each position.

Recommendation

5.31 The Western School Board should develop a policy which at a minimum

- **identifies maintenance level standards it expects to achieve for its buildings, equipment, and playgrounds;**
- **defines criteria for prioritizing its maintenance projects;**
- **incorporates the roles and responsibilities of key players; and**
- **refers to key legislation that impacts the maintenance of schools.**

PREVENTATIVE MAINTENANCE

5.32 One definition of preventative maintenance (PM) is maintenance activities performed on a specific schedule which is intended to prevent breakdowns or deterioration. It is widely accepted that a sound preventative maintenance program will help avoid major capital outlays over time, increase the longevity of assets, and contribute towards good air quality.

5.33 The WSB maintains the buildings, equipment, and grounds at 21 schools across western PEI. The volume of tasks alone warrants a structured preventative maintenance program.

5.34 We expected the WSB to operate a preventative maintenance program that

- is based on one definitive source of identified building components and equipment;
- identifies all legislated and life-cycle maintenance for buildings and equipment;
- incorporates regular, documented inspections of each building's overall condition;
- includes frequency of planned preventative maintenance tasks and detailed procedures;
- structures preventative maintenance tasks based on an authoritative source such as a manufacturer's manual or industry best practices; and
- includes a work management system that is able to track and report preventative maintenance data.

5.35 The WSB does not have one comprehensive source for its preventative maintenance program. Rather, the WSB employs various lists and spreadsheets to manage its preventative maintenance work.

5.36 The WSB does not differentiate between mandated maintenance and life-cycle maintenance. The WSB could not tell us which maintenance it performed was due to specific legislation.

5.37 We looked to various acts and regulations to identify mandated maintenance, and we found that there was mandated maintenance that was not included on the WSB's various lists:

- Work conducted by school staff was not listed on any PM schedule. This includes PM mandated by the *Fire Protection Act* and Regulations on such life saving equipment as emergency generators, battery powered emergency lights, and emergency exit doors. The WSB does not require schools to report whether such mandated maintenance was performed. Rather, it assumes that any problems identified will be brought forward for repair.

- PM work on sprinklers, as mandated by the *Fire Protection Act* and Regulations, is contracted out and did not appear on any PM schedule.

- Hot water boiler inspections, as mandated by the *Boilers and Pressure Vessels Act,* and elevator inspections, as mandated by the *Elevators and Lifts Act*, are inspected by provincial inspectors and were not included on any PM schedule.

5.38 The PM program, made up of various lists, did not include any building envelope components. This would include windows, doors, structural, electrical, mechanical, plumbing, roofs, interior and exterior walls. Further, the WSB does not incorporate these items into its routine PM activities.

5.39 An important component of building envelope PM is the performance of formal, documented assessments of each facility's overall condition. The WSB does not perform such assessments. The WSB advised that its maintenance staff would be present in each school on a weekly basis; however, this is not sufficient as it does not incorporate a systematic approach nor are the results of the inspection documented.

5.40 In 1995, the WSB undertook a complete review of its buildings to ascertain the condition of its facilities. The results of this review became a go forward action plan for the WSB. The report highlighted projects for what it referred to as "priority one

schools," defined in the report as schools where "major renovations are required because of space, program, air quality, or safety concerns." The total cost of these projects amounted to approximately $30 million at eight schools. The original proposal was to have the projects completed by July 2000. At the time of our audit, we were advised that there was one project left to do from this original list, and it should be completed in the next couple of years. This facilities condition report, prepared fifteen years ago, is outdated.

5.41 The PM program, made up of various lists, did include life-cycle maintenance for most equipment. We noted however that air conditioning units were not on the list.

5.42 Preventative maintenance activities regarding air quality lacked substance. Mould checks are limited to annual visual inspections of only the gymnasiums by the Property Maintenance Supervisor. Ductwork cleaning is limited to only when the WSB can afford to or when a problem arises. Since at least 2005, only three schools have had their ductwork cleaned and one of those was only partially cleaned.

5.43 We reviewed the various preventative maintenance lists and spreadsheets and noted that the frequency of planned PM work was not clearly documented and detailed procedures were rarely documented. Further, WSB's PM practices were not always based on the manufacturer's recommendations.

5.44 The WSB's current system, made up of various lists and spreadsheets, could not easily report whether PM was done as there was no work order system or other sources of documentation that spanned the timeframe of our audit scope. Preventative maintenance checklists for school equipment were initiated in the spring of 2010. As such, they only existed for part of the year we examined. Handwritten notes were prepared by only one of the two maintenance staff. However, these notes were for equipment only and did not include the building envelope.

5.45 Since internal documentary evidence was limited, we looked to external confirmation for various legislated maintenance. We looked to issued certificates, contracts, and invoices to substantiate that legislated PM work was performed. In some instances, we spoke with the inspectors to obtain evidence that PM was performed. In all cases of legislated maintenance that we identified, with the exception of work conducted by school staff, there was some form of documentary evidence that the legislated PM was performed.

5.46 The WSB's work management system does not optimize its PM program. Its system of checklists, spreadsheets, and handwritten notes

- does not allow for PM work to be flagged;
- does not report that work was completed;
- is not able to report what work is outstanding or stagnant; and
- is not able to report historical information on preventative maintenance.

Recommendations

5.47 The Western School Board should implement a more structured approach to managing its preventative maintenance program, including the following:

- **having one comprehensive source of preventative maintenance for all building components and equipment;**
- **highlighting mandated maintenance;**
- **incorporating building envelope into its preventative maintenance program, including regular documented inspections of each building's overall condition;**
- **creating more substantial air quality preventative maintenance tasks for mould identification and ductwork cleaning; and**
- **considering manufacturer's recommendations or industry best practices when designing the preventative maintenance program.**

5.48 The preventative maintenance program should outline the frequency and detailed procedures for preventative maintenance tasks.

5.49 The Western School Board should document the actual performance of its preventative maintenance tasks.

5.50 The Western School Board should implement a work order system that optimizes its preventative maintenance program.

5.51 As previously illustrated in **Exhibit 5.2**, the WSB consistently spends more than its allocated maintenance budget. These over expenditures exist now, even without the implementation of a comprehensive PM program. And, as illustrated in **Exhibit 5.4,** approximately 70 percent of the WSB's maintenance and operations budget goes towards energy costs. This leaves very few dollars to spend on maintenance activities.

5.52 The current formulas for the Maintenance and Operations and the Renovations, Repair, and Maintenance budgets are based on square footage and student populations. Neither the Department nor the WSB could advise us as to the basis of the rates.

5.53 The Maintenance and Operations budget, which is calculated on a dollar per square foot basis, does not take into consideration the many budgetary pressures that arise that have no relevance to square footage. Some examples are as follows:

- Several schools have recently been equipped or are scheduled to be equipped with mechanical air handling units due to Occupational Health and Safety requirements. These units increase the energy costs for those schools but do not increase the square footage.

- The WSB spends approximately $100,000 per year to rent facilities for one school's vocational programs. If these facilities were added to the school, as they are scheduled to be, the square footage would be included in the budgetary formula.

5.54 The Renovations, Repair, and Maintenance budget, which is calculated on a dollar per student basis, doesn't reflect the increased costs associated with aging buildings. Further, even though enrolment numbers are declining, the WSB still has to maintain the building structure and grounds.

5.55 The maintenance budget formulas are outdated. The amount of ongoing maintenance funding is driven by the formula rather than considering needs identified from a structured preventative maintenance program.

5.56 If funding a comprehensive PM program is not feasible, options for the Department could include implementing a phased-in approach or concentrating on key components. A risk based approach is acceptable when implementing a structured PM program, as long as decision-makers are aware of the risks and mitigating measures.

Recommendation

5.57 The Department of Education and Early Childhood Development should reassess its current funding formula to ensure it is relevant to maintenance operational needs. If the Department determines that it cannot fund a comprehensive preventative maintenance program, risk mitigating measures should be developed.

CORRECTIVE MAINTENANCE

5.58 Corrective maintenance is performed at the time of failure to bring equipment or a building component back to its original state. Having a well run corrective maintenance function means having a system that identifies, prioritizes, and tracks corrective maintenance tasks.

5.59 Corrective maintenance tasks arise from many sources. Internally, tasks can arise from school requests; internal inspections, such as playground and water inspections; and building inspections. Externally, corrective maintenance tasks can arise from Occupational Health and Safety (OH&S), Risk

Management, or from external inspectors such as boiler inspectors, elevator inspectors, and fire safety inspectors. A corrective maintenance program needs to be able to log and track all of these tasks.

5.60 We expected the WSB to have a corrective maintenance system in place where

- corrective maintenance tasks identified through the various sources are scheduled and forwarded to appropriate personnel for action;
- regardless of the source of the corrective maintenance task, practices exist to prioritize corrective maintenance, perform the work, and ensure it was completed and documented;
- staff analyzes maintenance data to identify trends and possible problems and uses a work management system to optimize the management of corrective maintenance activities; and
- corrective maintenance is performed on a timely basis.

Identification and Scheduling of Tasks

Requests from Schools

5.61 The Western School Board has a system in place where requests from schools are forwarded to appropriate personnel for action. Requests from schools are made in two ways: communication from principals to the Property Maintenance Supervisor and items requested as part of the annual budgeting process.

5.62 As evidenced by the results of our survey of principals, they know whom to contact when maintenance work is needed and they understand the process to log a maintenance issue. Fourteen of twenty-one principals responded to our survey and all respondents were in agreement with those two statements. As evidenced by our review of the annual budgeting process, correspondence to schools, and board reporting, there is a clear process for submitting requests from schools during the annual budgeting process.

Internal Inspections

5.63 Another source of corrective maintenance is internal playground inspections and water testing conducted by the WSB.

5.64 Risk Management and Insurance, a division within the Department of Finance and Municipal Affairs, conducts playground inspections on a cyclical basis. We were advised that Risk Management and Insurance staff tries to inspect the playgrounds every three years. We examined the most recent inspection reports which were dated 2006. Risk Management and Insurance staff advised that they based their inspection checklists on the CSA standard for *Children's Playspaces and Equipment.*

5.65 Risk Management and Insurance advised that they expect school boards to inspect and maintain their playground equipment in accordance with the CSA standard. There are a number of maintenance and inspection requirements in the CSA standard for *Children's Playspaces and Equipment.* This standard requires the development of a comprehensive maintenance program for the playgrounds, the creation of daily and monthly maintenance schedules, the performance of weekly visual inspections and detailed monthly inspections, and the completion of an annual comprehensive written report. The WSB's practices did not meet these requirements.

5.66 Risk Management and Insurance also stated that they expect school board staff to be certified to inspect playgrounds in accordance with the CSA standard. At the time of our audit, no one at the WSB was certified to perform these inspections. We were advised that staff is scheduled to regain certification.

5.67 The WSB has an undocumented policy for weekly playground inspections to be conducted by the schools. The schools are to submit the weekly forms to the Property Maintenance Supervisor, but many schools did not. Of the schools required to submit weekly inspection forms, 50 percent did not submit any. Reporting frequency ranged from a low of one to a high

of seven during the 2009-10 school year. The WSB does not follow up on outstanding inspection forms.

5.68 Our review of the WSB's compliance with the CSA standard for *Children's Playspaces and Equipment* focused on the maintenance and inspection requirements; we did not ascertain whether the equipment and grounds met the technical/structural requirements of the standard. However, reporting to the Board and to the Department consistently identified the ongoing concern that some of its schools were not meeting the CSA requirements for impact zones.

5.69 The WSB performs quarterly inspections of the water at each school that has its own well system. These inspections are to ensure compliance with the *Public Health Act Regulations*. We examined the quarterly water tests for each school for the 2009-10 school year. The results of all tests were consistently within acceptable limits.

Buildings

5.70 As reported under the Preventative Maintenance section of this report, the Western School Board does not conduct formal inspections of each building's overall condition. Formal, annual inspections would allow for changes in the buildings' conditions to be compared and for corrective maintenance issues to be identified and scheduled on a timely basis. This is especially important given the fact that there is no regular preventative maintenance done on building envelope components, and 81 percent of the schools are older than 30 years of age.

External Inspections

5.71 As part of our audit, we examined whether the WSB performed all maintenance recommendations made by external parties. The WSB's corrective maintenance system did not log or track most of these recommendations, so we looked to other evidence to confirm that corrective action was taken for at least significant recommendations.

5.72 In some instances, we confirmed with the external inspector; in other cases we looked to certifications or other sources of documentary evidence such as invoices and service contracts. Where no documentation existed, we obtained verbal confirmation from WSB staff.

5.73 The WSB's system is not adequate for logging and tracking tasks to ensure recommendations from external inspectors are performed. The volume of tasks that arise from the various external sources at 21 schools warrants a more sophisticated tracking system.

Prioritization of Corrective Maintenance

5.74 Although the prioritization process was not defined in documented policy as previously noted, we were informed that the WSB considers the following when prioritizing projects: health and safety, building longevity, and then cosmetic improvements.

5.75 The WSB has practices in place to prioritize tasks that arise from the various sources. Smaller tasks are handled immediately by the Property Maintenance Supervisor while larger projects are prioritized with the Director of Business Services and added to their list of things to do.

Documenting and Tracking Corrective Maintenance

5.76 The WSB does not have a structured work order system to document and track its corrective maintenance activities.

- The property supervisor keeps a running list of larger projects only.

- Smaller tasks like service calls from schools are initiated via email or phone calls from the principal to the property supervisor. Email correspondence does provide a record of work being performed, but it is not easily accessible or reportable. And, if the service call came via telephone, there is no record of the disposition of the work.

5.77 The WSB tracks maintenance dollars spent by school and analyzes it monthly. The system does not enable maintenance data to be tracked at the equipment level, nor can it report the number of work orders for a particular school or piece of equipment. All of this information is important for trend analysis and decision-making.

Timeliness of Corrective Maintenance Actions

5.78 We could not ascertain whether corrective maintenance was performed on a timely basis since there was limited documentation. There was no work order system for tracking work orders issued, completed, or outstanding. Further, there was no easily attainable documentary evidence of corrective maintenance performed.

5.79 In an effort to assess timeliness, we did survey the school principals. Fourteen of the twenty one school principals responded. Thirteen of the respondents indicated that reported maintenance problems were dealt with in a timely fashion. However, this alone was not sufficient evidence to conclude on all corrective maintenance tasks identified from all sources.

5.80 The WSB should be able to easily ascertain whether any particular corrective maintenance work was performed. This type of information is important. It provides a documented historical reference and allows for data to be reported for trend analysis and performance measurement.

Recommendations

5.81 To meet the expectations of Risk Management and Insurance, the Western School Board should ensure that its playground inspection process meets the requirements of the CSA standard for *Children's Playspaces and Equipment.*

5.82 The Western School Board should implement a work order system to log, schedule, track, and document all corrective maintenance tasks identified from school personnel, building inspections, and internal and external inspections.

ENERGY CONSERVATION MEASURES

5.83 With the intention of managing energy costs, we expected the WSB to track and analyze its energy consumption data and to take any necessary corrective action.

5.84 WSB tracks energy consumption (kWh, electricity demand, and furnace oil) by school each month. It has tracked the information dating back to the 1997-98 school year for heating fuel and the 2004-05 school year for electricity costs. It analyzes the information on a monthly basis to determine whether there are any problems or issues that need to be addressed. It performs various analyses including comparing year over year, month to month, current year month to prior year month, and comparing similar schools.

5.85 The WSB has taken active measures to decrease its energy consumption, and it has communicated these measures to schools. There has been a downward trend in the WSB's energy consumption over the years as a result of these actions. For example, electricity consumption (kWh) has decreased 9 percent since the 2004-05 school year. This overall decrease is notable taking into account the installation of major equipment, such as air handling units, and significant expansions that have occurred since that time.

5.86 Even though, on a per unit basis, heating fuel and electricity rates have increased significantly in recent history, the WSB has been able to keep total annual energy costs fairly constant by making energy conservation a high priority.

MANAGEMENT RESPONSE

5.87 Our report was discussed with management of the Western School Board and the Department of Education and Early Childhood Development. They will provide our Office with a written response.

6. INSPECTION OF BRIDGES

MAIN POINTS

What we examined

Bridges form an integral part of the Prince Edward Island transportation network which is essential for the efficient and safe movement of people, goods, and services. There are over 1,335 bridge structures in Prince Edward Island. The *Roads Act* assigns responsibility for improving and maintaining bridges to the Minister of Transportation and Infrastructure Renewal.

We examined the management of the bridge inspection process in the Department of Transportation and Infrastructure Renewal (the Department). We focused on bridges which the Province designated as high priority based generally on their size and traffic volume.

Audit work for this report was substantially complete as of January 2011.

Why it's important

Thousands of people use the Province's bridges daily, most without questioning their safety. The results of a bridge failure would be significant both in terms of public safety and financial impact. Ensuring the safety and proper maintenance of these structures is vital to our infrastructure system.

Bridges constitute a major asset to the Province with the investment reported at over $135 million as of March 31, 2010. Many of the Province's bridges were built in the 1960s and 1970s and at that time the life expectancy of these structures was estimated at 50-60 years. Many of the high priority bridges in the Province are 40 years and older and will require significant investment in the coming years.

6. Inspection of Bridges

The Department of Transportation and Infrastructure Renewal adopted a bridge inspection process in 2008 and utilizes a database system to document and assist in analyzing the condition of the Province's bridges based on inspection results. The first cycle of biennial inspections has been completed and system upgrades are expected to be implemented in 2011.

What we found

- The information in the Department's database for bridges was not complete and accurate. This reduces the usefulness of the information for decision-making purposes.

- All high priority bridges were not being inspected every two years in accordance with best practices adopted by the Department.

- The Department's decision to contract out bridge inspections was not supported by an adequate cost-benefit analysis. The Department is paying more to contract out inspections than if staff were hired to complete them.

- A competitive process was not used to hire consultants who perform inspections. Appropriate approval for initial consultants' contracts was not obtained as required by Treasury Board policy.

- There were numerous instances where the inspection reports prepared by consultants were not fully completed and recommendations did not correlate with inspection ratings. The Department did not have an adequate review process to detect and correct these issues before the reports were uploaded into the database.

- The implementation of the Bridge Management System is in transition and the information available is not being fully utilized in capital planning.

Introduction and Background

6.1 The *Roads Act* assigns responsibility for improving and maintaining bridges to the Minister of the Department of Transportation and Infrastructure Renewal. Neither the Act nor its regulations prescribes maintenance or inspection requirements for bridges.

6.2 The Design and Bridge Maintenance Section is one section of the Capital Projects Division within the Department of Transportation and Infrastructure Renewal. The Section has three main objectives:

- to provide design services for the highway and bridge network on PEI for rehabilitation and reconstruction purposes;
- to provide an inspection and maintenance program for the bridges on PEI and ensure the structural integrity of those structures; and
- to provide project management services for bridge construction and rehabilitation projects.

6.3 There are over 1,335 bridge structures in PEI for which the Department has responsibility. This includes bridges as well as culverts.

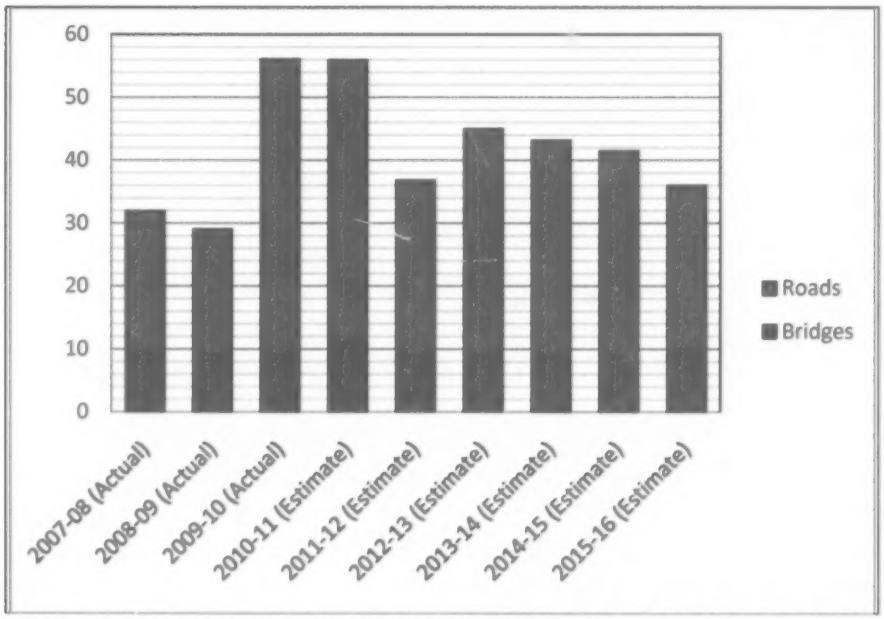
6.4 Through the Design and Bridge Maintenance Section, the Department implemented a bridge inspection process in 2008 based on standards for bridge inspections in place in Ontario. Of the 1,335 bridge structures in PEI, 257 bridges were designated by the Department as high priority requiring biennial structural inspections. The high priority designation was based on several factors, most notably whether the span of the bridge was over three meters but also the type of road on which the structure is located, the traffic volume, and traffic characteristics. Private engineering firms were contracted to inspect high priority bridges. Bridges that are not considered high priority receive a limited safety inspection by Department staff once every three years.

6.5 A database management information system has been implemented to record information on all bridge structures. Detailed

information is recorded on high priority bridges, including the results of structural inspections. This information is intended to provide input into the capital planning for bridge rehabilitation and replacement.

6.6 Exhibit 6.1 shows the actual and estimated capital expenditures for bridge and road construction from 2007-08 to 2015-16. In addition to the capital costs related to bridges, the Department incurs expenditures of approximately $360,000 per year to carry out bridge inspections.

EXHIBIT 6.1
CAPITAL EXPENDITURES/ESTIMATES FOR BRIDGE AND ROAD CONSTRUCTION
YEAR ENDED MARCH 31
(Millions)

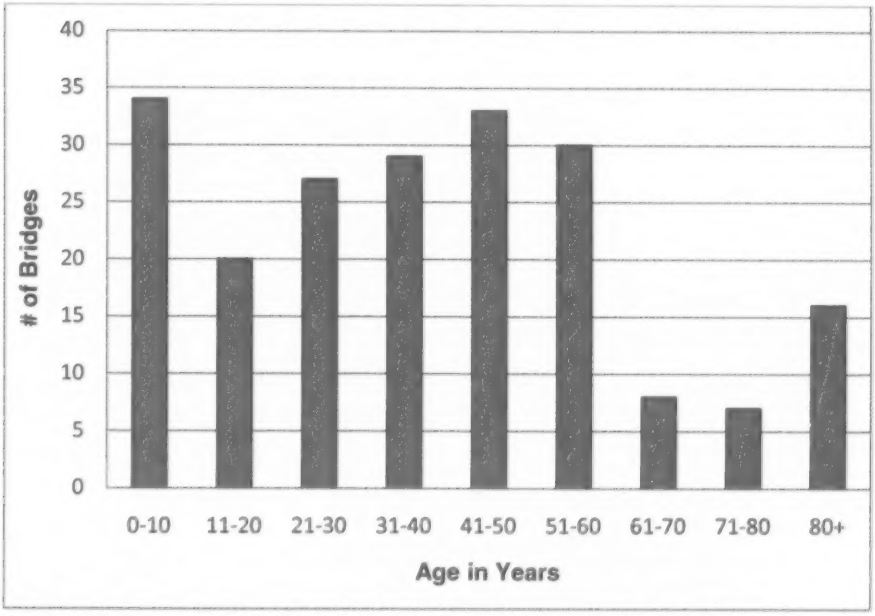


Source: The Public Accounts and the PEI 2011-12 Capital Budget and Five Year Capital Plan

6.7 Over 60 percent of the high priority bridges for which age data was available are 30 years of age or older. The age distribution of the high priority bridges has implications for the maintenance needs of the infrastructure. As these bridges continue to age, higher maintenance costs or higher replacement and

rehabilitation costs can be expected. **Exhibit 6.2** shows the age distribution of 204 high priority bridges as of December 2010. Age information was not available for the remaining 53 high priority bridges.

EXHIBIT 6.2
AGE DISTRIBUTION OF HIGH PRIORITY BRIDGES
AS OF DECEMBER 2010



Source: Department of Transportation and Infrastructure Renewal (unaudited)

OBJECTIVES AND SCOPE

6.8 In accordance with Section 13 of the *Audit Act*, we conducted an audit of the bridge inspection practices in the Capital Projects Division of the Department of Transportation and Infrastructure Renewal. Our audit work encompassed bridge inspections completed during the period from 2008 to 2010. We did not audit bridge design work or other services within the Department.

6.9 The objectives of the audit were to determine

- whether the Ministry has bridge inspection procedures in place to help ensure that bridges within its highway system are safe and in good repair;
- whether the Ministry considers bridge inspection results in planning the required repair, rehabilitation, and replacement work; and
- whether bridge inspection contracts comply with Treasury Board policy and are cost-effective.

6.10 We interviewed Department staff, reviewed capital planning information, examined numerous documents and reports, and reviewed and analyzed bridge inspection results. We selected a sample of bridge inspections and tested for compliance with certain aspects of the inspection procedures manual. In addition, we examined and assessed the process to engage consultants to carry out bridge inspections.

6.11 We performed our audit in accordance with the standards for assurance engagements encompassing value for money audits established by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances.

BRIDGE DATABASE

6.12 In 2008, the Department adopted a process to inspect high priority bridges every two years. To aid in this process, the Department obtained a database system called the Bridge Management System (BMS) to accumulate historic, inspection, and rehabilitation data on bridges and assist the Department in managing bridge infrastructure.

6.13 The goal of structural inspections is to help ensure an acceptable standard for structures in terms of public safety,

comfort, and convenience. The main objectives of structural inspections are

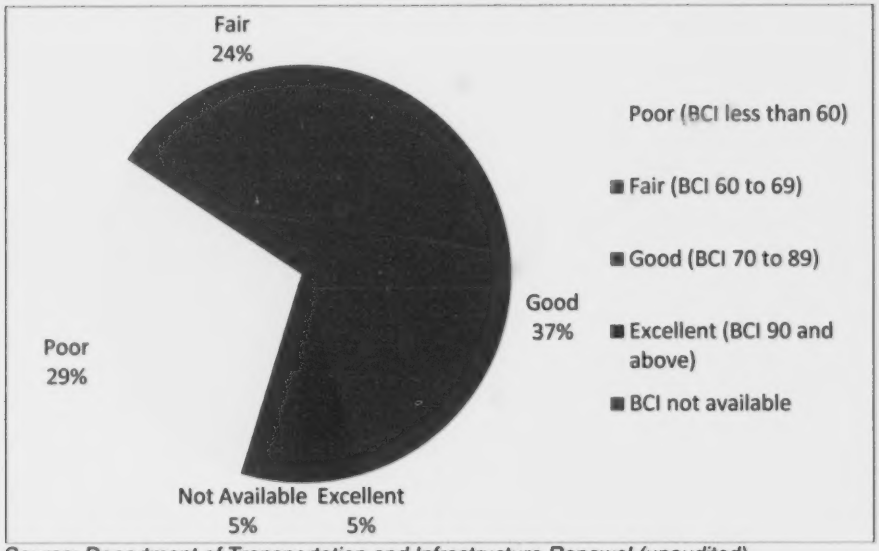
- to protect and prolong the useful life;
- to identify maintenance, repair, and rehabilitation needs; and
- to provide a basis for planning and funding of maintenance and rehabilitation.

6.14 To achieve these goals and objectives, detailed visual inspections of bridges are to be performed regularly. A detailed visual inspection is an element-by-element close-up visual assessment of material defects, performance deficiencies, and maintenance needs of a structure. A bridge element is an individual part of a structure. Several bridge components may be grouped together to form one bridge element for inspection purposes. Examples of element groups include abutments, approaches, barriers, and decks.

6.15 The inspections carried out result in ratings for each element from poor to excellent which are then recorded in the database. Using the physical information on the bridge such as the structure type, the length, the area of each element, and the results from each inspection, the system calculates an overall rating for the structure called the Bridge Condition Index (BCI). The BCI is an indicator of a bridge's overall condition and is a useful tool for planning and management of the bridge infrastructure. The inspection process is not considered by the Department as a complete assessment and if a problem is identified with the structure, it is expected that a detailed assessment would be completed.

6.16 The BCI ranges from 1 to 100 where 100 would be excellent. We were informed that a BCI of below 60 is considered a poor rating for the overall condition of the bridge. **Exhibit 6.3** shows the breakdown of the BCIs for high priority bridges based on information available as of December 2010.

EXHIBIT 6.3
BRIDGE CONDITION INDEX OF HIGH PRIORITY BRIDGES
AS OF DECEMBER 2010



Source: Department of Transportation and Infrastructure Renewal (unaudited)

6.17 We expected that the inventory of bridges in the database would be accurate and complete.

6.18 Of the 1,335 bridge structures, 257 were identified in the BMS as high priority. There were 111 structures of the 1,335 which were not included in the database. These structures were identified by the Department and recorded on another listing. After review of documentation on file for these structures, we determined that 4 of the structures had a span exceeding three meters, and therefore should be considered high priority and subject to the biennial inspection process.

6.19 Deck length is a key criteria used to determine if a bridge should be designated as high priority. Of the bridges in the BMS database that were not designated as high priority, we noted that 45 did not have a deck length recorded. Three of these 45 structures were determined to have a deck length exceeding 3 meters, and therefore should have been designated as high priority.

6.20 Many of the bridges within the Province's rails to trails system are designated by the Department as high priority and are therefore subject to biennial inspections. We noted that many of these structures are in poor condition. We were informed that these bridges are pedestrian and not subject to as much stress as bridges on the highway system. Therefore, they are generally considered low risk structures. The Department is paying approximately $50,000 per year to inspect these bridges even though maintenance and replacement of rails to trails bridges is not considered a priority.

6.21 We noted that if a structure was replaced or removed the database was not always updated. The old or previous structure remained on the database even after the new structure was added. This practice overstates the amount of structures and affects the reliability of information generated from the system.

6.22 In addition, we noted numerous instances where culverts and bridges were mislabeled. The risk considerations for repair and rehabilitation are different for bridges than for culverts. Further, we noted the deck length for culverts was recorded in different units of measure, some in feet and others in meters.

6.23 The historic and inventory data on each bridge provides the background information on the bridge structure. We found many cases where the historic data and inventory data was incomplete. In particular, rehabilitation history was not generally updated in the system.

6.24 As part of the inspection process, inspectors often recommend that additional inspections or assessments be carried out on the bridge. We were advised that Department staff would determine if this additional work is required after considering these recommendations. When additional inspections or assessments are carried out, they are not normally documented in the BMS.

6.25 The Department has implemented the Bridge Management System to record detailed inventory information and the results of inspection of structural integrity of the bridges. This data is

important for decision-making. Where information is not accurate and complete, it can impact the designation of high priority bridges, the calculation of the BCI, and the reliability of management reports.

Recommendations

6.26 The Department should take steps to ensure that all bridge structures are recorded in the database.

6.27 All high priority bridges should be identified in accordance with the best practices adopted by the Department.

6.28 The Department should ensure that information recorded in the Bridge Management System for each bridge is accurate, complete and updated for any additional assessment, rehabilitation or demolition work.

6.29 The Department should re-examine the inspection practices related to the rails to trails structures.

BRIDGE INSPECTION PROCESS

6.30 The Department has adopted a comprehensive inspection manual for the structural inspection of bridges. The main responsibilities of the inspector are to inspect all elements of the bridge, record defects for each element where applicable, identify suspected performance deficiencies, note where routine maintenance is required, make recommendations, indicate the urgency of any proposed work, and identify any additional investigations that are required. Each inspection report requires a minimum set of photos to be included, and additional photos are required where deficiencies are noted. We were informed that the average bridge inspection will take two to three hours.

6.31 We selected a sample of high priority bridges and examined the inspections carried out since 2008. For three of our sample items, inspections were not carried out every two years as required. In addition, the largest bridge owned by the Department, the Hillsborough Bridge has not had a comprehensive inspection since

2003. Field notes were prepared for some inspection work carried out in 2008. However, the inspection was not performed in accordance with the standards in the comprehensive inspection manual adopted by the Department, and a formal report was not prepared quantifying the condition of the various bridge elements or the bridge as a whole.

6.32 We expected that each section of the inspection form would be fully completed in accordance with the inspection requirements. We found situations where the minimum photos were not included in the inspection report and some situations where no photos were included. We noted instances where either mandatory bridge elements were missing, or elements which were part of the structure did not have a rating assigned. This impacts the calculation of the Bridge Condition Index.

6.33 As required by the inspection manual, inspectors are expected to make recommendations for further inspections or assessments and required maintenance on the bridges. There were cases where there was no correlation between the rating the element received and the recommendations provided by the inspector. In these situations for example, elements were rated as poor but no recommended maintenance was indicated, or elements were rated as good but required maintenance was indicated.

6.34 In accordance with the inspection manual, needed maintenance refers to work that can be carried out by the road crews, whereas recommended maintenance requires engineering work. We found in a number of cases that these terms were being used interchangeably. The recommended maintenance provides valuable input for consideration during the capital planning process and should be recorded in accordance with the manual.

6.35 When comparing inspection reports for bridges, we found one case where improvements in the condition of the bridge were noted in the second inspection report although no rehabilitation work was performed. In two cases, significant changes in the measurement of structure elements were noted from the prior report, again with no rehabilitation work performed.

6.36 In the absence of rehabilitation work, bridges deteriorate over time and the BCI should reflect this. When the BCI has increased from one inspection to another and no rehabilitation work has been completed on that bridge, or where there is a significant change in the BCI, it should warrant follow-up. Differences in how the inspection guidelines are applied by inspectors may be a factor.

6.37 We were informed that a high level review of each inspection is performed when the reports are received from the consultants. However, based on the results of our sample, there were a number of instances where the inspection reports were not completed as required and the review process did not detect these issues. This is a relatively new process and more effort needs to be directed at ensuring the inspections are carried out as required.

Recommendations

6.38 The Department should ensure that high priority bridges are inspected every two years in accordance with adopted best practices.

6.39 The Department should take action to ensure the bridge inspections are conducted in accordance with Department requirements as outlined in the consultants' contracts.

6.40 The Department should implement review procedures to highlight inspection reports requiring follow-up.

CAPITAL PLANNING PROCESS

6.41 The Department has identified a five year capital plan for major expenditures related to bridge infrastructure. We were advised that many factors are considered in determining which bridges will be worked on and the priority of bridge needs. Factors such as design flaws, traffic volume, and traffic characteristics are considered, as well as structural integrity and safety issues. Engineering judgment and experience play a key role in establishing the five year capital plan.

6.42 We expected the Department to consider bridge inspection results in planning repair, rehabilitation, and replacement work on

bridges. The BCI is an indicator of the structural condition of a bridge. The Department has invested both human and financial resources into the implementation of the BMS system which generates the BCI. Although other factors are important in determining the capital plan, the BCI calculation should be a useful tool in prioritizing replacement, repair, and rehabilitation work for bridges.

6.43 We were advised by Department management that anything below a BCI of 60 is a significant risk. We expected the majority of bridges identified in the capital plan to have lower BCIs. We reviewed the bridges that were worked on in the 2009-10 year as well as bridges identified in the five year capital plan. We noted that 45 of these bridges, or 67 percent, had BCIs above 60. We followed up to determine if these bridges had required maintenance recommendations arising from the inspection reports. This would support the observation that even though the overall BCI was fair to good, there were specific structural issues with the bridge noted by the inspector. We found 60 percent of the 45 bridges had no required maintenance recommendations noted by the inspector. For 12 bridges with BCIs over 60 that had no recommendations, we followed up with Department management to determine if there were other risk factors to support including these in the capital plan. We were advised that for two of these bridges there were specific risk issues that led to their inclusion in the capital plan. We were also advised that for the majority of the other bridges there were structural concerns even though the overall BCI was rated above 60.

6.44 We identified the bridges within the high priority category with the lowest BCIs and cross referenced them to the capital plan to determine if work was planned for these structures. We found there were 14 bridges on paved roads with a BCI below 60, which were not included in the five year capital plan. We were advised the majority of these bridges will be considered for 10 to 15 year planning.

6.45 We were informed that documentation of all risk considerations is not maintained to support capital planning

decisions regarding the prioritization of bridge capital work. In addition, management advised that certain bridge structural elements are more critical in the capital planning process, and this is not being reflected in the overall BCI rating. Where specific condition information is required, management should obtain the condition rating for these elements from the BMS for all bridges and use this to prioritize bridges for the capital plan. The implementation of the Bridge Management System is still in transition, and the information available can be more fully utilized to support capital planning decisions.

6.46 As illustrated in **Exhibit 6.2**, 60 percent of the high priority bridges for which age data was available are 30 years of age or older. As these bridges continue to deteriorate, the Department will find it more difficult to maintain the bridges in a reasonable state of repair without additional capital investment. We noted that the capital estimates allocate $9 million for bridges each year for the next four years, increasing to $10 million in year five.

6.47 We expected an adequate asset management plan to be in place to manage the bridge infrastructure. The plan should include appropriate information on the condition and related life cycle costs of bridges in order to maximize their useful life and avoid costly replacement work.

6.48 We were informed that the Department is currently in the process of upgrading its database to a 2010 version. This upgrade will add deterioration and costing models to the system. When fully operational it will provide an asset management plan which will allow for better decision-making regarding resource allocation and more effective financial planning. The system will assist in planning effective preventative maintenance. These models will aid the Department when developing its 5 to 10 year plans as the models can estimate the bridge condition into the future and the impact of various investment decisions for bridges. The Department plans to implement this system upgrade during 2011.

Recommendations

6.49 To support capital planning decisions, the Department should define the bridge condition information that is critical to capital planning and obtain this information from the Bridge Management System.

6.50 Capital planning decisions for bridges should be supported with documented risk considerations.

6.51 To assist in capital planning, the Department should ensure upgrades to the Bridge Management System are implemented.

CONSULTANT CONTRACTS

6.52 For bridges designated as high priority, the Department hires external engineering firms to perform the bridge inspections. According to Treasury Board Policy, a competitive process should be used as a standard practice when hiring consultants. A competitive process involves anything from a public tender to a request for quotations from qualified bidders. This process helps to ensure that government obtains the best quality service for the most economical cost.

6.53 We expected that a competitive process would be followed for the acquisition of consultants to perform bridge inspections, or that Treasury Board approval would be obtained to deviate from this practice. We were informed that when the bridge inspection program was initiated, the Department notified all qualified engineers on PEI who were involved in bridge related work. A flat rate of $3,000 per bridge for 2008 was negotiated with interested external consulting firms. The high priority bridges requiring inspection were assigned equally to the engineering firms involved. Contracts were signed with the consultants covering a two year cycle during which time the assigned bridges were inspected. This negotiated rate was not approved by Treasury Board.

6.54 The contracts between the Department and the consultants are very specific, particularly regarding the qualifications of the inspectors. A minimum of two staff from each firm are required to

conduct the inspections and one must be a professional engineer. Each of the two inspectors must have successfully completed a bridge inspection course sponsored by the Department. We found that each of the consulting firms had an adequate number of staff trained to carry out the inspections in accordance with the contracts. Consultants' contracts lay out the terms and conditions for the work to be conducted. The Department is relying on the knowledge and expertise of the inspectors to provide critical information on the integrity of the bridge infrastructure. By agreeing to the terms of the contract, the engineering firm is confirming that only those staff that are qualified are actually conducting the inspections. However, we found there were three firms out of seven for which signed contracts could not be provided. A signed contract is important to document agreement on the terms and conditions of the work to be carried out and to ensure government's interests are protected.

Recommendations

6.55 Contractual arrangements for bridge inspections should be open to a competitive process. In accordance with Treasury Board policy, where a competitive process is not followed Treasury Board approval should be obtained.

6.56 The Department should ensure contracts are signed for bridge inspection work carried out by consultants.

6.57 Biennial inspection of high priority bridges was a new initiative for the Department in 2008. At that time, a decision was made to contract out rather than perform the work in-house. We expected the Department to have carried out an analysis on the cost of contracting versus hiring staff to conduct bridge inspections. We were provided with an analysis the Department used for costing different options prior to making the decision in 2008 to hire consultants. In this analysis, the cost of hiring consultants was significantly understated at less than $500 per bridge. The negotiated rate of $3,000 per bridge paid to consultants was substantially higher.

6.58 We prepared an estimate of the cost to hire staff to complete all bridge inspections in 2010 compared to the actual amounts paid to consultants. Based on the number of bridges designated as high priority and the rate per bridge, we estimate that the Department could carry out bridge inspections for approximately $200,000 less per year than what was paid to consultants for that work. The Department advised that ensuring an engineering community is present on PEI that is qualified and experienced in bridge related work was a factor in the decision to contract out bridge inspections.

6.59 We expected the consultants' contracts for bridge inspections to be appropriately approved. Treasury Board policy requires contracts over $100,000 be approved by Treasury Board. The contracts with the consultants signed in 2008 exceeded $100,000 but Treasury Board approval for these contracts was not obtained. The 2010 consultants' contracts amounted to just under $100,000 each, and therefore Treasury Board approval was not required.

Recommendations

6.60 At the completion of each biennial inspection cycle, the Department should re-examine the cost of contracting out versus staffing to conduct bridge inspections.

6.61 In accordance with Treasury Board Signing Authority Policy, contracts for consultant services that exceed $100,000 should be authorized by Treasury Board.

MANAGEMENT RESPONSE

6.62 Our report was discussed with management of the Department of Transportation and Infrastructure Renewal. They will provide our Office with a written response.

FINANCIAL STATEMENT AUDITS

7. INTRODUCTION TO FINANCIAL STATEMENT AUDITS

Introduction

7.1 Members of the Legislative Assembly need adequate and reliable information on the Province's financial condition in order to hold government accountable for its use and control of public funds. Section 13 of the *Audit Act* requires the Auditor General to perform financial audits of the Public Accounts, Crown controlled or owned corporations, and the trusts and funds held by any agency of government insofar as they are not subject to a financial audit by an external auditor.

7.2 Management is responsible for the preparation of the financial statements and all related decisions. Financial statements reflect management's assertions. They provide information that is used to assess entity performance and management's stewardship over the economic resources entrusted to them. Therefore, it is imperative that the reader has confidence in the quality of the financial information provided by management.

7.3 To add credibility to the financial statements, users often rely on the work of an independent auditor. The auditor can objectively assess the accounting principles used, the estimates made, and other management assertions reflected in the financial statements. The auditor examines the entity's accounts and disclosures in accordance with Canadian generally accepted auditing standards. These standards have been established over time and continue to evolve with the changing economic environment. The result of this examination is the auditor's opinion as expressed in the Auditor's Report.

7.4 In addition to issuing an Auditor's Report on the financial statements, the auditor may also issue a separate communication to management detailing observations arising from the audit. This communication is referred to as a management letter. The letter identifies any significant weaknesses noted in the entity's system of

internal control, weaknesses in management processes, and/or any other area of concern which requires the attention of management.

7.5 For the majority of the financial statement audits we performed, management letters were issued. We brought to management's attention any significant issue or concern identified during the audit. We also made recommendations to address the items identified.

7.6 In the following sections, we provide summary information on our audits of the Public Accounts and Appropriations and Special Warrants.

8. PUBLIC ACCOUNTS

8.1 Overall responsibility for the management of the Province's finances rests primarily with Executive Council. Under the authority of the *Financial Administration Act,* Executive Council acts through Treasury Board to fulfill its fiscal management responsibility. The *Financial Administration Act* further delegates general responsibility for the management and direction of the Province's finances to the Minister of Finance and Municipal Affairs. Responsibilities of the Minister include the operations of the Department; all activities related to the Operating Fund; and supervision, control and direction of all financial matters of the Province, unless specifically assigned to another Minister or Board.

8.2 Management of the Province's finances is a significant responsibility which affects every taxpayer. With this responsibility comes the need for accountability. Taxpayers need to know how government has discharged its responsibilities in order to hold government accountable for its stewardship of the Province's finances and resources.

8.3 The Legislative Assembly, including its Public Accounts Committee, plays a primary role in holding government accountable. To fulfill their oversight role, members of the Legislative Assembly need reliable information. A primary source of information used by the Legislative Assembly are the Public Accounts. The Public Accounts consist of two volumes: Volume I contains the Province's audited consolidated financial statements and Volume II contains the financial statements of the Operating Fund, Crown corporations, and agencies.

8.4 The *Financial Administration Act* requires the Minister of Finance and Municipal Affairs to annually table the Public Accounts in the Legislative Assembly. The Comptroller is required to prepare the Public Accounts. According to the Act, the Public Accounts must contain the financial statements of the Operating Fund and the consolidated financial statements of the Province. The

consolidated financial statements provide the most complete information about the operating results and financial position of the Province as they consolidate the accounts of the Operating Fund with those of the Crown corporations and agencies.

8.5 The *Audit Act* provides a broad mandate for the Auditor General to examine and report on the use and control of public funds and resources entrusted to departments, Crown corporations, and agencies. Section 16 of the Act requires the Auditor General to perform an audit of the Public Accounts of the Province for each fiscal year and express an opinion on the Province's financial position and operating results.

8.6 The consolidated financial statements of the Province are audited and reported upon by the Auditor General. Under Section 17 of the *Audit Act*, the Auditor General is not required to audit or report on the accounts of any agency of government where another auditor has been designated to audit its accounts. In these instances, the Auditor General relies on the auditor's report for each of these entities when performing the audit of the Public Accounts.

8.7 Following are observations and recommendations arising from our audit of the Public Accounts for the fiscal year ended March 31, 2010 as well as comments to address other reporting requirements under the *Audit Act*. We also considered the results of those financial statement audits conducted by public accounting firms in our reporting.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

8.8 The Public Accounts is a major accountability report of the Government of Prince Edward Island. It provides an opportunity to integrate and accumulate key information about government operations that taxpayers need to know. It is a document that has

the potential to provide one of the most complete reports on government's management of the Province's finances and stewardship over those resources.

8.9 For the March 31, 2010 Public Accounts, we reviewed the financial statement discussion and analysis and found minimal changes from the prior year. The Public Accounts as an accountability document is still not being maximized.

8.10 The purpose of a financial statement discussion and analysis is to expand on and explain information contained in the financial statements. This information makes the financial statements more useful by extending the understanding of the information reported. The information supplements the government's consolidated financial statements allowing government to provide qualitative information on its management of the Province's finances.

8.11 The 2010 discussion and analysis includes a comparison to prior year's numbers, discussion of actual variances year to year for revenues and expenses, and expense breakdown by object and ministry.

8.12 The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants has published recommended practices for financial statement discussion and analysis for a government or government organization choosing to provide supplementary information beyond that contained in its financial statements.

8.13 Some basic information recommended by PSAB is as follows:

- a highlights section which provides a brief, concise summary of significant events affecting the financial statements;
- an analysis section that includes information on significant risks and a brief outline of government strategies, policies, and techniques to manage those risks and uncertainties;
- an analysis of significant trends related to financial statement components;

- an analysis that identifies and explains significant variances between the current year actual results and budget as well as significant variances between current year actual results and prior years actual results; and
- government's assessment of significant internal and external factors and trends that shape key strategies.

8.14 Financial statement discussion and analysis has become a core element of external reporting and we encourage government to make further improvements in this area.

Recommendation

8.15 The financial statement discussion and analysis included with the Public Accounts should be improved so that it communicates sufficient information to enable users to more fully understand and evaluate the overall performance of government.

TIMELY FINANCIAL STATEMENTS

8.16 As in prior years, we continue to stress the importance of releasing the Public Accounts on a timely basis. Financial statements are an important source of information for decision-makers. Their usefulness diminishes as time passes and increased efforts are needed to have the consolidated financial statements available on a more timely basis. As well, there has been a change in the *Financial Administration Act* regarding years when there is a fixed date for a general election. In these years, the consolidated financial statements for the fiscal year preceding the fixed election date are required to be tabled by August 31. Currently, PEI is among the latest jurisdictions to release its consolidated financial statements.

8.17 The March 31, 2010 Public Accounts were released on November 19, 2010. The 2009 Public Accounts were released on November 20, 2009. There is still a need for significant improvement in order to meet an August 31 deadline. Government will need to meet year-end accounting and audit readiness requirements on a timely basis and ensure year-end audit

readiness is of adequate quality to enable the timely completion of audit work.

8.18 The improved timeliness of the consolidated financial statements is also dependent on the timeliness of the Comptroller's Office receiving audited financial statements of entities included in the government reporting entity. The *Financial Administration Act* requires each reporting entity to have audited financial statements completed within three months of year-end. Currently, over 50 percent of the reporting entities are not meeting this requirement.

ANNUAL REPORTS

8.19 The *Financial Administration Act* requires reporting entities to provide an annual report within six months of their year-end. Although we did not test to ensure all entities were complying with this section of the Act, we did note several instances where annual reports have not been completed or made public as required by the Act. We noted the following entities were not in compliance with the reporting requirements of the Act: the PEI Lotteries Commission, the PEI Lending Agency, the Teachers Superannuation Fund, the Civil Service Superannuation Fund, and the PEI Housing Corporation.

8.20 This concern has been previously reported by our Office, however, action is still needed. Non-compliance with this section of the Act diminishes accountability and we urge government to address this issue.

Recommendation

8.21 The Department of Finance and Municipal Affairs should implement a process and assign responsibility to ensure the annual reporting requirements of the *Financial Administration Act* are complied with.

CONSOLIDATED FINANCIAL STATEMENTS

8.22 The consolidated financial statements are a primary accountability document for government. The Auditor General is required to express an opinion as to whether the Province's consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flow in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. Our audit was carried out in accordance with Canadian generally accepted auditing standards. On November 16, 2010, we issued an unqualified audit opinion on the Province's consolidated financial statements.

Accounting Policies

8.23 As part of our audit, we assessed the accounting policies used to prepare the Province's consolidated financial statements. Significant steps have been taken towards preparing and presenting the consolidated financial statements in accordance with Canadian GAAP. However, we did identify a number of items which are not in full compliance.

8.24 Current accounting standards set as a basic requirement the inclusion of consolidated budget data with the Public Accounts. Consolidated budget estimates were prepared for the first time for the 2003-04 year. To facilitate meaningful comparisons, consolidated budgets need to be prepared and reported on the same basis as that used to prepare the consolidated financial statements. The 2009-10 Budget Estimates were prepared on a consolidated basis but we noted differences in the format used in the budget and the basis used in the 2009-10 consolidated financial statements. The budget included the net annual surplus of Crown corporations and agencies as revenue in the Budget summary.

8.25 Current accounting standards require inclusion of each consolidated entity's revenues and expenses rather than the net result. The absence of budgeted revenue and expense information of Crown corporations and agencies in budget documents limits the

usefulness of budget information in assessing Crown corporation and agency operations.

8.26 In addition to fully consolidated entities, government business enterprises are consolidated on the modified equity basis. For the March 31, 2010 fiscal year, government business enterprises contributed net revenue of $42 million to the Province. This revenue is reflected on the Public Accounts as a single line item. These entities generated gross revenues of $146 million, expenses of $104 million, and controlled assets with a balance of $444 million during the fiscal year. The expenses ranged from $4.6 million for the PEI Lotteries to $49.7 million for the PEI Liquor Control Commission. These entities are also budgeted on a net revenue basis resulting in limited debate and transparency of their financial plans.

Recommendations

8.27 The budget format should be revised to follow the format of the consolidated financial statements of the Province.

8.28 Detailed budget information should be provided to the Legislature for government business enterprises.

8.29 We also noted concerns with capital budgets. Although the Province now prepares capital estimates, these budgets are not prepared on the same basis as the Province's tangible capital asset policy. Capital budgets include expenditures for assets which are below the threshold limits for capitalization as defined in the Province's tangible capital asset policy. We encourage the Province to prepare its capital budgets on a basis consistent with its tangible capital asset policy.

Recommendation

8.30 The tangible capital asset policy thresholds should be followed when preparing capital budgets.

8.31 The Province first began recognizing tangible capital assets in the 2003-04 Public Accounts. In that year, the Province recognized all tangible capital assets but included an exception with regard to the completeness of land as follows: "Under the Transitional Provisions of PSAB Section PS 3150 historical cost is still being gathered for certain land parcels. Adjustments to cost may be required when more information becomes available." A similar note is disclosed in the 2009-10 schedule of tangible capital assets. We have continually recommended that this issue be addressed. However, the Province has yet to determine the historical cost for all land parcels.

Recommendation

8.32 Historical cost information should be obtained for all land parcels.

8.33 The Comptroller's Office is responsible for the preparation of the consolidated financial statements. Preparation of the consolidated financial statements in accordance with current standards requires events to be identified which occur between the date of the financial statements of entities included in the government reporting entity and the date of completion of the Province's consolidated financial statements. There is currently no review by the Comptroller's Office of events occurring between these dates.

Recommendation

8.34 The Comptroller's Office should implement a process to ensure subsequent events are appropriately identified as required by current accounting standards.

8.35 The Public Accounts include a note on commitments against future appropriations through multi-year contracts and obligations. However, there are commitments and contractual obligations that are not being reported in the Public Accounts which are significant in relation to future operations of government. We did note improvement in disclosure of commitments at March 31, 2010. For example, approximately $50 million in commitments to Holland

College and UPEI are now disclosed which were previously not included in the consolidated financial statements.

Recommendation

8.36 The Public Accounts of the Province should disclose significant commitments and contractual obligations.

TIMELY PREPARATION OF FEDERAL CLAIMS

8.37 As reported over the past several years, we continue to note concern with the preparation of federal claims. Discussions with departmental staff indicated that timely submission of claims by the Province continues to be the major factor in delaying the receipt of federal funds. Delays in submitting the claims result in slower cash flows and higher interest costs to the Province. At March 31, 2010, federal receivables totalled $42 million.

Recommendation

8.38 All amounts due from the federal government should be claimed on a timely basis.

GUARANTEED DEBT

8.39 As noted in our 2010 annual report, the amount of debt guaranteed by government continues to rise. There has been a significant increase in the balance of guarantees issued by the Province over the past five years. Guaranteed debt has increased by 64.1 percent or $99.5 million over this period.

8.40 **Exhibit 8.1** summarizes the components of the guaranteed debt for the past five years as reported in the Guaranteed Debt Schedule in the Public Accounts.

EXHIBIT 8.1
GUARANTEED DEBT
YEAR ENDED MARCH 31
(Thousands)

Lines of Credit/Demand Loans*	$ 40	$ 46	$ 67	$ -	$ -
Student Loans	25,108	24,989	25,312	23,897	22,056
Debentures/Capital Loans*	226,227	213,618	177,417	138,920	123,695
Agencies and Crown Corporations*	3,346	2,713	5,759	7,495	9,475
Total Guaranteed Debt	$254,721	$241,366	$208,555	$170,312	$155,226

**Prior year figures have been reclassified to conform with the 2010 presentation.*

8.41 In addition to the guaranteed debt noted above, there is a guarantee disclosed in the notes to the consolidated financial statements which is not included on the Guaranteed Debt Schedule. The guarantee relates to the Credit Union Deposit Insurance Corporation (CUDIC) whereby the Province shall ensure the obligations of the CUDIC are carried out. The CUDIC provides deposit insurance coverage on insurable deposits in each of the ten credit unions in the Province. Insurable deposits totaled $596.1 million at December 31, 2009.

8.42 The continued growth in guaranteed debt represents a significant increase in the level of financial risk assumed by the Province. This risk needs to be monitored to ensure the financial exposure of the Province is minimized.

PENSION OBLIGATIONS

8.43 Pension liabilities continue to be significant. The market value of assets, which had seen a significant decline over the 2008 and 2009 years, saw an improvement in the current year. **Exhibit 8.2** reflects the net pension assets (obligations) for each of the past five years. Pension obligations are based on full actuarial valuations completed every three years with estimates updated by the Province during the interim periods. The last full actuarial valuations for the Teachers' Superannuation Fund and the Civil

Service Superannuation Fund were dated April 1, 2008 while the one for the Members of the Legislative Assembly Pension Fund was dated April 1, 2009.

EXHIBIT 8.2
NET PENSION ASSETS (OBLIGATIONS)
YEAR ENDED MARCH 31
(Millions)

	2010-11	2009-10	2008-09	2007-08	2006-07
Pension fund liabilities	$(1,631.1)	$(1,596.6)	$(1,493.2)	$(1,391.2)	$(1,170.1)
Pension fund assets	1,408.4	1,157.7	1,381.0	1,409.1	1,077.9
Unfunded pension (liability) surplus	(222.7)	(438.9)	(112.2)	17.9	(92.2)
Unamortized adjustments	270.4	471.2	155.4	13.6	71.2
Net pension assets (obligations)	$ 47.7	$ 32.3	$ 43.2	$ 31.5	$ (21.0)

8.44 **Exhibit 8.3** provides a summary of the change in the PEI Master Trust. The PEI Master Trust is the pool of pension assets used to fund pension obligations. The total market value of pension assets held and the rate of return on the assets held in the PEI Master Trust is noted.

EXHIBIT 8.3
PEI MASTER TRUST
YEAR ENDED MARCH 31
(Millions)

Master Trust Investments	$1,291	$1,008	$1,220	$1,223	$ 930
Change in Master Trust Investments:					
- Special contributions by Government	$ 80	$ 28	$ 34	$ 22	$ 19
- Interest and dividends	37	40	48	44	27
- Market value gains/losses	190	** (261)	(87)	65	85
- Plan withdrawals and expenses less contributions	(24)	(19)	(22)	(16)	(32)
- Transfer of assets from Uniform Pension Plan*	-	-	24	178	-
Total increase (decrease)	$ 283	$ (212)	$ (3)	$ 293	$ 99
Plan asset rate of return	22.1%	(17.1%)	(3.1%)	11.5%	13.5%

**In prior years, health sector employees contributed to the Uniform Pension Plan. This plan was amalgamated with the Civil Service Superannuation Fund.*
***Reflects subsequent write-down.*

8.45 Exhibit 8.4 illustrates the funding of the Civil Service Superannuation (CSSF) and Teachers' Superannuation (TSF) Pension Funds. The exhibit shows that current contributions and investment income exceed benefits paid and are resulting in a net increase to the CSSF. This is not the case for the TSF. The TSF has fewer members and a higher benefit per retired member. Without government special contributions, excess annual contributions, and consistent market gains, the TSF balance will continue to be reduced.

8.46 The 2009-10 actuarial and interest cost place the CSSF and TSF in a shortfall position. To cover the shortfall for the 2009 and 2010 years based on the fund balances at March 31, 2010, the CSSF would require an increase in investment income in the range of .5 to 2.1 percent while the TSF would require in the range of 4.5 to 6.1 percent. The five year average for March 31, 2006 to 2010 for the Master Trust was 5.4 percent. In the 2005-06 fiscal year, the Province made a special contribution of $160 million payable over ten years to the TSF and an additional contribution of $53 million in

March 2010. For the CSSF, the Province made a special contribution of $52 million payable over ten years commencing in 2006-07.

EXHIBIT 8.4
PENSION FUNDS
(Millions)

	Superannuation Fund Year Ended March 31		Superannuation Fund Year Ended June 30	
	2010	2009	2010	2009
Investment income – net	$ 22	$25	$ 14	$ 15
Contributions*				
- Employee	23	22	8	8
- Employer	23	22	8	8
	68	69	30	31
Benefits paid	41	38	38	36
Net contribution to the Fund	27	31	(8)	(5)
Current service and interest cost	45	35	22	17
Shortfall	$(18)	$(4)	$(30)	$(22)

**Includes excess employee and employer contributions.*

CANCELLATION OR DISCHARGE OF DEBT

8.47 Section 16 of the *Audit Act* requires the Auditor General to report the total amount of any claims, debts, or monies due to the Province that have been discharged, cancelled, and/or released under Section 26 of the *Financial Administration Act*. The total amount owed by third parties to the Province and discharged, cancelled, released, and/or written-off was $1,798,775 in 2009-10. The amount cancelled or discharged under Section 26 is detailed in **Exhibit 8.5**.

EXHIBIT 8.5
AMOUNTS CANCELLED OR DISCHARGED
YEAR ENDED MARCH 31, 2010

Department of Health	$ -	$ 473,118
Department of Social Services and Seniors	-	44,805
Revenue Tax Act	-	347,056
Environment Tax Act	-	1,042
Social Assistance Act	-	651,459
Long-Term Care Subsidization Act	25,000	-
Real Property Tax Act	256,295	-
	$281,295	$1,517,480

SURPLUS (DEFICIT) CROWN CORPORATIONS AND AGENCIES

8.48 Section 16 of the *Audit Act* requires the Auditor General to include information in the Annual Report on deficits of Crown corporations and agencies not covered by appropriations in the year in which they have been incurred and any surpluses not paid into the Operating Fund in the year in which they are earned. In **Exhibit 8.6**, we have also included the cumulative surplus or deficit for each entity.

EXHIBIT 8.6
SURPLUS (DEFICIT)
CROWN CORPORATIONS AND AGENCIES
YEAR ENDED MARCH 31, 2010

	[illegible] Surplus (Deficit)	[illegible] Surplus (Deficit)
Advisory Council on the Status of Women	$ 1,933	$ 73
Agricultural Insurance Corporation	(3,986,481)	2,533,689
Agricultural Research Investment Fund Inc.*	(181,194)	-
Aquaculture and Fisheries Research Initiative Inc.	62,397	534,157
Charlottetown Area Development Corporation	55,600	5,076,171
Eastern School District (June 30, 2009)	30,767	30,963
Energy Corporation	4,868,476	15,706,992
French Language School Board (June 30, 2009)	(1,455)	14,226
Grain Elevators Corporation (July 31, 2009)	33,992	870,987
Harness Racing PEI (January 31, 2010)	13,740	(487,004)
Human Rights Commission	649	2,554
Innovation PEI	32,871	631,007
Island Investment Development Inc.	11,318,750	18,816,300
Island Waste Management Corporation	156,037	415,766
Lending Agency	142,421	1,232,223
Museum and Heritage Foundation	126,048	783,983
Self-Insurance and Risk Management Fund	(1,415,017)	6,102,289
Special Projects Fund *	(531,219)	-
Summerside Regional Development Corporation Ltd.	(95,737)	3,296,613
Western School Board (June 30, 2009)	3,485	5,898
Workers Compensation Board (December 31, 2009)	18,253,570	4,862,828

*Wound up during the year.

[illegible]

8.49 Our observations and recommendations have been discussed with management.

9. APPROPRIATIONS AND SPECIAL WARRANTS

9.1 Government's legislative authority to spend public funds is provided annually by an *Appropriation Act*. Authority to exceed the initial amount set by an *Appropriation Act* is provided by a special warrant or transfer of an appropriated amount.

9.2 *Appropriation Acts* require the approval of the Legislative Assembly whereas special warrants require the approval of the Lieutenant Governor in Council acting on the advice and recommendation of Executive Council. Transfers are generally approved by Treasury Board.

9.3 For the fiscal year ended March 31, 2010, the *Appropriation Act (Current Expenditures) 2009* authorized $1,477.6 million in current expenditures while the *Appropriation Act (Capital Expenditures) 2009* authorized $129.6 million for capital. Special warrants accounted for an additional $57.3 million in authorized spending of which $36.4 million related to current expenditures and $20.9 million related to capital.

9.4 The *Audit Act* requires the Auditor General to "provide an opinion on whether the expenditures that were authorized by the Annual Appropriation Act, or by special warrant, were expended for the purpose for which they were appropriated."

9.5 Our audit of appropriations and special warrants for the year ended March 31, 2010 concluded amounts were expended for the purpose for which they were appropriated. In addition to the information provided in **Schedules A** and **B**, readers should also consider the Province's consolidated financial statements and our audit report on those statements.

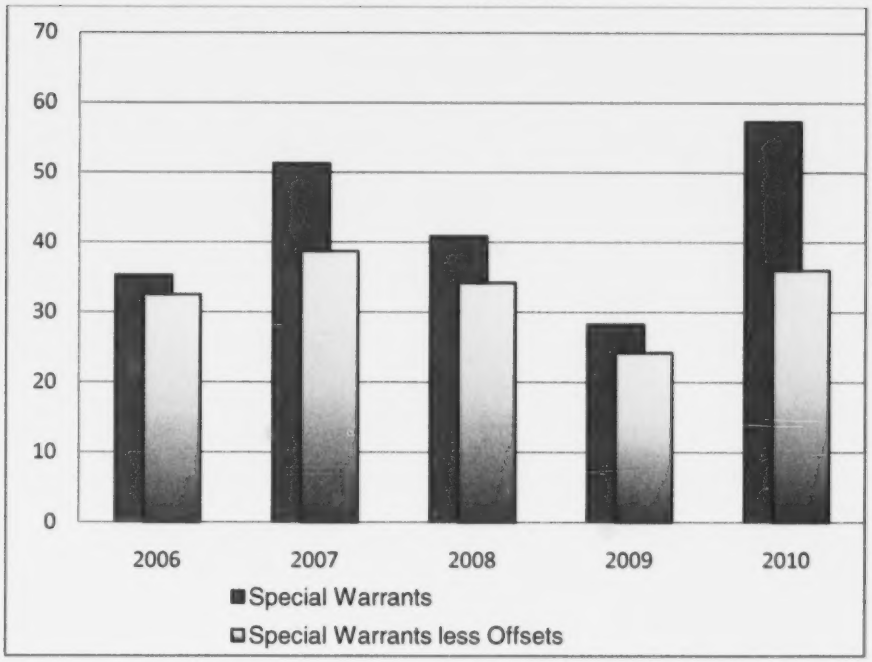
9.6 **Schedule A** provides a comparison of appropriations to actual expenditures in accordance with the classifications in the 2009 appropriation acts.

SPECIAL WARRANTS

9.7 The *Audit Act* also requires the Auditor General to list, in detail, all appropriations made by special warrant and their purpose. This list is provided in **Schedule B** of this report.

9.8 Special warrants for the March 31, 2010 fiscal year were partially offset by a $21.1 million increase in revenue resulting in a net increase in spending authority of $36.2 million. **Exhibit 9.1** shows the total amount of special warrants and special warrants net of revenue for the last five years.

EXHIBIT 9.1
SPECIAL WARRANTS
YEAR ENDED MARCH 31
(Millions)



DELAY IN ISSUING SPECIAL WARRANTS AND TRANSFERS

9.9 Normally an expenditure should not be incurred unless it is provided for by an appropriation. In cases where an appropriation is expected to be exceeded, the spending authority should be in place prior to the expense being incurred. Current arrangements for approval and reporting of special warrants normally result in the spending authority being put in place prior to the expense being incurred. Consistent with prior years, our audit of appropriations identified instances when the approval was after the fact. That is, the legislative authority for the expenditure was not in place prior to the expenditure being incurred.

9.10 During our audit, we noted one department had exceeded their authorized current expenditure appropriation and also required a transfer from General Government. We also noted three different departments had exceeded their capital expenditure appropriation. As of the date of audit completion, three of the special warrants had not been issued.

Recommendation

9.11 Special warrants and transfers should be issued on a timely basis.

CAPITAL BUDGET MONITORING

9.12 Capital budgets are prepared in accordance with the Province's tangible capital asset policy. However, we again noted various capital items were purchased out of operating funds. We discussed the monitoring process used by the Department of Finance and Municipal Affairs and concluded the process does not identify and address this issue. A monitoring process should ensure expenditures are charged against the proper appropriation and identify when appropriations are going to be exceeded.

Recommendation

9.13 Monitoring processes should ensure expenditures are charged against the proper appropriation and spending authority is in place prior to the expenditure being incurred.

MANAGEMENT RESPONSE

9.14 We have discussed our findings and recommendations with management.

UPDATE ON PREVIOUS RECOMMENDATIONS

10. UPDATE ON PREVIOUS RECOMMENDATIONS

Introduction

10.1 Each special audit results in a report which is provided, through our annual report, to the Legislature. A fundamental component of special audit reports are recommendations which address observations or deficiencies noted during the audit. They are designed to contribute to the improvement of the management and administration of government operations and programs. It is management's prerogative to select the best course of action to address the issues identified. Our concern is that all recommendations are being addressed by management.

10.2 Annually, we request information on the action taken in addressing outstanding recommendations. This information is normally requested through the Deputy Minister or Chief Executive Officer of the organization. At a minimum, we review each response for reasonableness. It is normally more cost effective to carry out detailed verification during the next scheduled audit.

10.3 Following is summary information we obtained on the status of recommendations from the special audits and examinations reported in the 2010 Annual Report of the Auditor General as well as outstanding recommendations from audits in the 2009, 2008, 2007, 2006, and 2004 Annual Reports.

IMPLEMENTATION OF THE ELECTRONIC HEALTH RECORDS INITIATIVE

10.4 Following are the recommendations resulting from our audit of the Implementation of the Electronic Health Records (EHR) Initiative in the 2010 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

Auditor General's Recommendation	Status/Management Response
The Department of Health should develop a strategic plan for the completion of the EHR.	Health PEI has developed a Strategic Information Management / Information Technology (IM/IT) Plan to guide the department for the next three 3 years. Included in the Strategic IM/IT Plan is the iEHR component.
The Department of Health should maintain an integrated delivery plan that aligns with a strategic plan for the completion of the EHR.	Health PEI has adopted a three-year IM/IT roadmapping approach to all aspects of IM/IT related issues within Health PEI. Three-year IM/IT sub-plans will be developed for each division, and these sub-plans will roll up to an overall three year roadmap for all Health PEI. This approach will allow both Health PEI and ITSS management to be aware of all IM/IT activities across the organization.
The Department of Health, in conjunction with Information Technology Shared Services (ITSS), should strengthen the oversight of the EHR initiative by improving systems to periodically report on progress and costs.	Enhanced and periodic reporting, both internally to executive management and to Treasury Board, has been established.
The Department of Health should publicly report information on the progress achieved in implementing the EHR initiative including a comparison of actual and expected performance.	There are several examples in the past year of Health PEI participation in public reporting, including participation in the National Public Education Campaign (www.knowingisbetter.ca) and providing information to third party groups about PEI's eHealth Vision.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Department of Health should implement electronic health record projects in accordance with established project management processes.	Health PEI has adopted and employed a project management methodology with defined project management processes.
A competitive process should be used prior to the awarding of contracts.	This recommendation has been adopted and followed by Health PEI.
In accordance with Treasury Board policy, the Department of Health should ensure that consultant contracts over $100,000 are approved by Treasury Board.	This recommendation has been adopted and followed by Health PEI.
The Department of Health should ensure that all consultant services acquired are documented in a signed contract.	This recommendation has been adopted and followed by Health PEI.

SECURITY ASSESSMENT - DRUG INFORMATION SYSTEM

10.5 Following are the recommendations resulting from our audit of the Security Assessment – Drug Information System (DIS) in the 2010 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

Auditor General's Recommendation	Status/Management Response
In accordance with the *Pharmaceutical Information Act*, the DIS information custodian should develop and implement DIS specific policies, standards, and procedures.	Drug Information System and Operational policies and procedures are in place. New policies have been added, including DIS Collection of Information and DIS Security Access.
Information Technology Shared Services (ITSS) should continue to work with the Information Technology Governance Council (ITGC) to gain approval for the Government Information Security Policy (GISP).	Information Technology Shared Services is revising an implementation plan for the GISP for presentation to the Standing Committee on Corporate Management (SCCM). This plan is prioritized based on risk. The implementation of the GISP will have implications to processes and budgets in all Government departments and needs to be carefully planned. ITSS will continue to work with the SCCM to ratify the GISP in a way that is effective and causes minimum disruption to its client departments.
Information Technology Shared Services should ensure the implementation plan for the GISP is prioritized based on risk.	Same response as previous recommendation.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Department of Health should review the process for planning and conducting worksite assessments for point of sale locations to achieve consistency in the process and ensure that all initial worksite assessments are conducted.	Health PEI has been conducting site visits with community pharmacies. The DIS Business Unit has been in consultation with the PEI Pharmacy Board regarding privacy and security of patient's personal health information. As the professional governing body, the PEI Pharmacy Board has guidelines in place for pharmacists to comply with provincial privacy legislation. The Pharmacy Board conducts physical and technical requirements audits and professional practice audits. The DIS operational unit is working with the Board to ensure the audit process includes DIS privacy and security requirements.
Given the sensitivity and privacy of the information that is available on the DIS, ITSS in coordination with the Department of Health should ensure that each employee of the service provider requiring access to the DIS has a unique user name and password to enable more accurate monitoring of activity. The use of service provider accounts, unique or generic, should be logged and monitored and/or shadowed during active service provider sessions.	Service provider employees all have unique usernames and passwords for logging into the system for daily operational support of the application where required. Backend database user accounts are role-based.
To provide for the timely removal of user access, the Department of Health should develop formal processes involving communications from Human Resources.	This process is implemented.
The Department of Health in conjunction with ITSS should implement standard password controls for the DIS.	Updated password controls will be available in Release 3.7 which is scheduled for 2011-12.

Auditor General's Recommendation	Status/Management Response
The Department of Health should work with ITSS to establish a series of baselines for system security settings in the DIS based on needs and common recognized standards.	There is currently no established series of baselines for system security settings in DIS. However, there are a number of initiatives in ITSS that are being planned and once completed will improve standards. An updated version of the DIS is expected to be deployed in the first quarter of 2011 and system security settings will be available at this time. Health PEI will work with ITSS to establish a series of baselines for system security settings once they are available. Security auditing processes have been put in place and are being monitored.
The Department of Health should classify the information in the DIS and make risk-based decisions over what data should be encrypted when in transit and in storage.	The Government Information Security Policy (GISP) outlines recommended standards that should be followed when classifying information. Once the GISP is approved and made available to departments, Health PEI will use the recommended standards outlined in the GISP as a guide for setting appropriate classification levels to information contained in the Drug Information System. The PEI Department of Health Pharmaceutical Information Program Integration and Conformance Specification lists the requirements that must be met regarding the encryption of data. Conformance testing to prove compliance is required prior to any access to the Drug Information System.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
ITSS should strengthen the physical security processes and controls that support the administration and monitoring of those who require access to the data center. The implementation of security controls should be commensurate with the level of the sensitivity of the data that can be accessed.	Queen Elizabeth Hospital Human Resources manages the security of this environment. Physical security of the data centre has been improved with the installation of a new security system consisting of security cameras and proximity card sensors on all entry doors and critical areas within the hospital, including the data centre. The system maintains a record of all access to the data centre.
Environmental conditions in the server room for the DIS should be documented and monitored by ITSS.	Environmental conditions (temperature, power, fire) within the QEH Data Centre are maintained and managed by QEH maintenance department via 24/7 monitoring by QEH staff. ITSS is currently monitoring the power by means of monitoring software embedded into the UPS installed in the data centre itself.
The Department of Health in conjunction with ITSS should approve and implement a formal set of policies and procedures governing DIS change management. Evidence should be retained for key control points throughout the process including: authorization, testing, approval, segregation of duties, and monitoring.	A formal change management process is not yet in place; however, a more clearly defined segregation of duties has been established. The service provider only accesses our environment as far as the test servers (where there is no production of data). The only access the service provider has to production is for emergency production support issues, and when that occurs, it is monitored by our system administrators.

Auditor General's Recommendation	Status/Management Response
Given the sensitivity and privacy of the information that is available on the DIS, the use of a local user account by an external service provider should be logged and monitored and/or shadowed during active service provider sessions by the Department of Health with support from ITSS.	Passive audit reports are currently being developed and an Enterprise log monitoring tool is currently being investigated.
The Department of Health and ITSS should review practices for performing security and worksite assessments with the objective of establishing a consistent approach.	Health PEI has been conducting site visits with community pharmacies. The DIS Business Unit has been in consultation with the PEI Pharmacy Board regarding privacy and security of patient's personal health information. As the professional governing body, the PEI Pharmacy Board has guidelines in place for pharmacists to comply with provincial privacy legislation. The Pharmacy Board conducts physical and technical requirements audits and professional practice audits. The DIS Operational Unit is working with the Board to ensure the audit process includes DIS privacy and security requirements.
The Department of Health should work with ITSS to establish a series of baselines for system security auditing of the DIS based on needs and on recognized standards. The auditing program should address the following: what is audited, how often logs are reviewed and what action should be taken on identified events.	The DIS Business Unit audits user access, user behaviors, and inactive accounts. Discrepancy reporting will be the next phase of auditing. Auditing the DIS system will be started in the fourth quarter of fiscal 2010-11.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Department of Health, with support from ITSS, should establish a formal Disaster Recovery Plan for the DIS and should ensure that this plan and the Business Continuity Plan are reviewed, tested and updated on an annual basis.	The system area network does represent a single point of failure, however, it exists on a 99.99 percent uptime rated device. In terms of the Disaster Recovery Plan, there is not currently one in place, however, all of our data is backed up nightly, weekly, and monthly, and the backups are stored at a separate facility. We have support agreements in place with hardware vendors and software vendors to respond within a specified amount of time if an emergency were to occur. The DIS Business Continuity Plan has been revisited. The DIS Business Unit is participating in the province's Business Continuity Managers Committee. The DIS Business Continuity Plan Framework, governance model, and scope have been approved. Planning is currently in the Business Impact Assessment phase.
The Department of Health in conjunction with ITSS should establish log creation and retention standards and practices for the DIS.	Retention schedules for data stored in the DIS do exist.

STUDENT FINANCIAL ASSISTANCE

10.6 Following are the recommendations resulting from our audit of Student Financial Assistance in the 2010 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of the Department of Innovation and Advanced Learning and the PEI Student Financial Assistance Corporation.

Auditor General's recommendation	Status/management response
The Student Financial Services office should seek Executive Council approval to establish a framework for authorization of program policy changes.	Student Financial Services (SFS) has sought both Executive Council and Treasury Board approval on policy issues. Student Financial Services has also prepared a *Student Financial Assistance Act* and *Regulations*. The responsibility for student financial services moved to a Crown corporation with a Board of Directors.
Student Financial Services should ensure financial resources available to students are verified.	Students and parents are required to sign a letter of consent which allows SFS to verify income with the Canada Revenue Agency (CRA). The Student Assistance Management System (SAMS) will be configured to provide more timely reporting of the application information for verification with CRA data.
Student Financial Services should use the documentation on income obtained from CRA for the 2008-09 academic year and verify a sample of income reported on student loan applications.	SFS staff is working with representatives responsible for SAMS to obtain the information for verification. The Department now has access to SAMS data directly to assist in the verification process.
Student Financial Services should take the necessary steps to ensure that the proper tax rates are used to calculate student financial need.	SFS conducts reviews to reconcile the tax tables provided by the federal government with the tax data that is input into SAMS.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
Student Financial Services should implement a quality control review process for the student financial assistance program.	The process for reviewing documents for the student assistance program includes initial data collection by clerical support, followed by review and processing by an officer. With the new service provider processes that commenced in January 2011, there is additional quality assurance steps that include the double keying of data as well as proof reading and exception reporting. In the academic 2010-11 year 87% of student loan applications were received on line.
Student Financial Services should document guidelines for the processing and approval of appeals for student financial assistance.	The procedure for processing approvals and appeals has been documented in the new legislation and regulations as well as in operating policy.
Student Financial Services should implement controls to periodically verify the legitimacy of the monthly invoices from the contracted financial institution by reviewing the supporting documentation received with these monthly invoices.	SFS currently reviews the documentation received with monthly invoices. The process is more streamlined with the new service provider as the invoice is for a flat rate per loan/per class and the interest charges are at the actual cost of borrowing.
Student Financial Services should ensure that all reporting required for the management of the student financial assistance program is received from the contracted financial institution and reviewed on a timely basis.	The contract with the new service provider clearly outlines the reporting requirements and the timeline requirements of each. Those timeline requirements are monitored carefully and enforced.

Auditor General's Recommendation	Status/Management Response
Student Financial Services should implement monitoring procedures over the administration of the Provincial Interest Relief Program to ensure adherence to provincial guidelines for the program on debtor eligibility for interest relief payments.	The monitoring and review process for the Provincial Interest Relief Program is now administered by the service provider. The documented guidelines and criteria are strictly enforced.
Student Financial Services should perform sample testing on defaulted loan files to ensure that the contracted financial institution is meeting the performance standards for loan collection.	The defaulted loan files were reviewed for compliance with the performance standards and were generally found to meet the requirements. Documenting the review process has been improved and the ability to conduct reviews and sample testing has been enhanced with the new service provider.
Student Financial Services should take action to have all required management reports generated from the Student Assistance Management System.	The system used by the new service provider generates a number of reports for the financial loan and related programs. SFS staff now have access to SAMS data and will continue to work with the Province of Nova Scotia to improve the SAMS reporting. In addition, SFS staff is currently investigating how it can further consolidate its management software.
Student Financial Services should consult with the Risk Management Division of Provincial Treasury as well as legal counsel in the Attorney General's Office to re-evaluate the indemnity clause in the Student Assistance Management System Agreement.	SFS has contacted Risk Management Division of Provincial Treasury and legal counsel. At this point, it is not intended that the current contract be re-issued, but SFS will ensure that any subsequent agreements contain the appropriate indemnity clause.

GOVERNMENT'S INVOLVEMENT IN LENDING TO THE SNOW CRAB FISHERY

10.7 Following are the recommendations resulting from our audit of Government's Involvement in Lending to the Snow Crab Fishery in the 2010 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from PEI Lending Agency, Innovation PEI, and Treasury Board.

Auditor General's Recommendation	Status/Management Response
Government strategic initiatives should be formally documented and approved, and include clearly stated goals and objectives with identified performance measures. Information should be reported on results achieved.	Agreed. The formal documentation of strategic initiatives with goals, objectives, and performance measures is necessary to ensure the effectiveness of the initiative can be measured.
The Lending Agency should determine the impact of the snow crab license transfer and ensure appropriate measures are taken to protect its security position.	Having a license transferred from an existing client to a fisher for whom we hold no security would leave the Agency with limited recovery ability in the case of the client's default. Unfortunately, the time line the Agency was operating within, and as expected to support this initiative, did not allow for the resolution to key security issues. Licenses are the property of the Department of Fisheries and Oceans (DFO) and not the fisher.
For loans where fishing licenses form part of the security, the Lending Agency should file appropriate documentation with DFO to protect its security position.	Agreed. As noted in the report, the "Notice of an Arrangement with a Financial Institution" was implemented in 2007 by the Department of Fisheries and Oceans after the loans were originally granted. No new loans were provided after this time and legal counsel is currently corresponding with DFO to have the Agency's security position acknowledged.

Auditor General's Recommendation	Status/Management Response
When eligibility criteria for loan financing are established by Executive Council, exceptions to the criteria should be approved by Executive Council.	Agreed. It was the Agency board and management's intent to acquire Executive Council decision on not only the loan itself, but also with respect to the exceptions, via submission of the memorandum.
The Lending Agency should comply with conditions attached to Executive Council approvals.	Agreed.
The Lending Agency should ensure that all terms and conditions of loans for out-of-provinces snow crab licenses are monitored for compliance and documentation is maintained.	Agreed. It has been reiterated to staff to ensure all contact, including in person and via telephone, is always documented to appropriate client files.
The Lending Agency should ensure that all terms and conditions of loans provided for Island snow crab licenses are monitored for compliance and documentation is maintained.	Agreed. See previous comment.
Business Development Inc. (now Innovation PEI) should ensure that the type of loan guarantee provided in the accepted letter of offer is consistent with the formal arrangement with the lending institution.	Innovation PEI (IPEI) will ensure that the type of loan guarantee indicated in the accepted letter of offer is consistent with the guarantee provided to the lending institution.
For loans where fishing licenses form part of the security, Business Development Inc. (now Innovation PEI) should file appropriate documentation with DFO to protect its security position.	IPEI has consulted with its solicitor on this matter and provided instructions to file the appropriate documentation with DFO to protect its security position for an existing snow crab loan. IPEI's Policy and Procedures manual will be amended to include a requirement to file the appropriate documentation with DFO where fishing licenses form part of the security.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
Business Development Inc. (now Innovation PEI) should ensure that its lending policies are reviewed and approved.	IPEI's Lending Policies and Procedures manual is under review and is being updated to reflect the new mandate of IPEI and streamlined to improve operational efficiencies of the Lending Services Division. Upon completion, the revised manual will be presented to the IPEI's Credit Management Committee (CMC) for review and comment prior to requesting final approval of CMC and the Board of Directors of IPEI.
The Lending Agency should establish a process for periodic review and update of its lending policies.	Supported. The Lending Agency operates under numerous policies and procedures which are frequently reviewed and updated or changed. Unfortunately, as would be the case with many other government departments and agencies, development and ongoing maintenance of a comprehensive policy and procedures manual has not been possible due to the lack of in-house manpower/expertise.
In addition to financial statements, Business Development Inc. (now Innovation PEI) should include personal and corporate tax returns and related notices of assessment in financial reporting requirements where appropriate.	IPEI's Policy and Procedures manual will be amended to include personal and corporate tax returns and related notices of assessment as financial reporting requirements where appropriate.
The Lending Agency should prepare and release its annual report in accordance with the requirements of the *Financial Administration Act.*	Agreed.

PROVINCIAL NOMINEE PROGRAM - IMMIGRANT PARTNER CATEGORY

10.8 Following are the recommendations resulting from our audit of the Provincial Nominee Program - Immigrant Partner Category in the 2009 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from Island Investment Development Inc. (IIDI).

Program policies should be documented and approved by the Board of Directors of IIDI.	All program policy changes are now brought to the Board of Directors for approval.
IIDI should develop a strategy to follow up on businesses which received units under the Program. IIDI should provide information in its Annual Report on the results of these follow-up procedures.	The strategy for following up has been developed and implemented. As a part of the strategy, a random sample of businesses was selected by a qualified chartered accounting firm using Generally Accepted Auditing Standards. For businesses sampled where the two year allowable period for usage has expired, notifications have been sent to submit information to IIDI for assessment. Any findings from the follow up will be reported in IIDI's annual report.
IIDI should implement a reporting framework with the intermediaries to include regular reporting of balances and activities of the rejected investor trust fund accounts.	IIDI now requires intermediaries to report to IIDI quarterly the balances of the rejected investor trust fund accounts.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Legislative Assembly should review the *Conflict of Interest Act* to determine if revisions can be made to clarify conflict of interest situations for Members.	In a report dated November 6, 2009, the Conflict of Interest Commissioner provided an overview of the origins of the Conflict of Interest Act, the legal principles applied by the Commissioner in interpreting the statute, and comments on the Auditor General's interpretation of this provision. Both the Auditor General's recommendation as expressed in paragraph 10.2 of the 2010 Auditor General's Report and the observations and recommendation of the Conflict of Interest Commissioner as expressed in his November 6, 2009 report are presently before all Members of the Legislative Assembly.
The Treasury Board Conflict of Interest Guidelines should be clarified and strengthened regarding their specific application to and the expectations for Deputy Minister level employees.	Treasury Board has revised the Terms and Conditions of Employment - Conflict of Interest Policy.

Auditor General's Recommendation	Status/Management Response
IIDI should conduct an evaluation of the Immigrant Partner Category of the Provincial Nominee Program.	Citizenship and Immigration Canada are now undertaking the national evaluation of all provincial nominee programs. PEI has agreed to participate with the review expected to be completed by April. IIDI will undertake a similar process (albeit wider in scope) with a call for consultant proposals to perform a review of the entire program including the Skilled Worker, Immigrant Connections, Immigrant Entrepreneur and the Immigrant Partner. It is intended that this RFP will be released in January 2011 with an anticipated completion in the summer of 2011.
The Province should develop a strategy to improve the settlement services available to immigrants.	The strategy was released on December 1, 2010.

IN-PROVINCE PHYSICIAN PAYMENTS

10.9 Following are the recommendations resulting from our audit of In-Province Physician Payments as presented in the 2009 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

Auditor General's Recommendation	Status/Management Response
The renewal forms for a PEI Health Card should state the basic criteria a person must meet to be eligible for Medicare coverage on PEI and applicants should be required to confirm that they meet these criteria during renewal.	Due to restructuring of the Department, resources for this project were put on hold. It should be noted that residents are required to respond to the renewal letters issued to the household prior to a Health Card expiring and the cards are not renewed until this occurs. However, the eligibility requirements are not clearly outlined in the renewal letter but will be in the near future.
The Department of Health should review the current variance between the number of active personal health numbers (PHNs) and the population and take appropriate action where possible.	The review has occurred, and the total number of active Health Cards in the system has dropped from over 150,000 in March 2009 to 145,619 as of October 2010. The process, which had allowed cards that had not been renewed to remain active in the system has been changed to provide more accurate statistics. It should be noted those cards did not have current medicare eligibility and only in rare circumstances would have allowed the card holders to obtain heathcare services.
The Department of Health should use the information obtained from shadow billings to compare the costs and productivity of physician services under the various payment models.	Regular reports are provided to the Executive Director of Medical Affairs on shadow billing information. This is an agenda item for future meetings of the Network/Site Medical Directors to begin a review of all alternate pay to physicians.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Department of Health should ensure adequate monitoring of the hours worked and the level of productivity of salary and contract physicians especially those in private clinics.	Medical Directors have been appointed in West Prince, East Prince, Queen's (East and West) and Kings geographical areas to ensure physician accountability and productivity.
Department management should ensure that internal audit procedures provide adequate coverage of fee-for-service claims from all physicians.	An external audit firm was hired to modernize the audit plan for medicare payments to physicians, including both fee-for-service and alternate pay physicians. A draft report on the new audit plan has been received from the firm and is currently being reviewed by management.
Periodic summary reports should be prepared and presented to management indicating the scope and results of the internal audit work completed.	Internal audit work is on-going. A recent, targeted audit was conducted for a specialist and a report was sent to the Executive Director of Medical Affairs.
The internal audit function should include analytical procedures to identify unusual patterns in physician claims. Any anomalies identified should be investigated and sufficient, appropriate audit evidence should be gathered to explain and document the issue.	The new audit plan designed by the external audit firm includes analytical procedures to identify patterns in physician claims which are not consistent with their peers. The Medicare Claims Auditor accompanied the firm on a field audit to observe their investigation approach and tools. A draft report on the audit has been received from the firm and is currently being reviewed by management.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
Arrangements with the external service provider for the Integrated Claims System (ICS) should be formalized in a signed agreement and approved by Treasury Board as required by Treasury Board policy.	ITSS has been working with Legal Services and Risk Management to develop a contract that includes appropriate clauses from the Treasury Board policy and Risk Management and Insurance. Once this work is completed, a formal agreement will be signed by ITSS and the external service provider for the Integrated Claims System (ICS).
ITSS and the Department of Health should consult with the Risk Management and Insurance Section of the Department of the Provincial Treasury to determine the appropriate insurance coverage to be included in the Service Level Agreement for the Integrated Claims System.	Same response as previous recommend-ation.
The Information Technology Governance Council should formalize a Government Information Security Policy. ITSS in coordination with the Department of Health should apply the approved policy requirements to the Service Level Agreement for the Integrated Claims System.	ITSS is revising an implementation plan for the GISP for presentation to the Standing Committee on Corporate Management (SCCM). This plan is prioritized based on risk. The implementation or the GISP will have implications for processes and budgets in all Government departments and needs to be carefully planned. ITSS will continue to work with the SCCM to ratify the GISP in a way that is effective and causes a minimum of disruption to its client departments.
ITSS in coordination with the Department of Health should ensure additional access controls are implemented to minimize the risk of unauthorized access to confidential information in the Integrated Claims System.	Tighter role-based security will be implemented in the updated version of the ICS. This will provide read-only type access where applicable as well as differing levels of access for each user/system administrator based on their role.

Auditor General's Recommendation	Status/Management Response
ITSS in coordination with the Department of Health should ensure that • only employees who require access to modify tables within the ICS have that access; and • user access is limited based on requirements of the position.	A review of users in ICS was conducted and the access to modifying tables was limited to ITSS - ICS Business Application Specialists (System Administrators) only. The access for these three roles (for DIS, Pharmacy/Dental, and Medicare) is required for day to day support and maintenance.
ITSS in coordination with the Department of Health should monitor the activity of users in the Integrated Claims System.	The Monitored Actions Report is developed but not yet fully functional.
ITSS in coordination with the Department of Health should take the necessary steps to improve the usefulness of the monitoring report.	Ongoing.
ITSS in coordination with the Department of Health should ensure that each employee of the service level provider requiring access to the Integrated Claims System has a unique user name and password to enable more accurate monitoring of activity.	The services provider has unique usernames for system monitoring. Virtual Private Network (VPN) access is locked down for everyone except for those in IT Infrastructure who provide support through VPN.
ITSS in coordination with the Department of Health should develop a disaster recovery plan for the Integrated Claims System.	There is no Disaster Recovery Plan currently in place; however, all of the data is backed up nightly, weekly, and monthly, and the backups are stored at a separate facility. We have support agreements in place with hardware vendors and software vendors to respond within a specified amount of time if an emergency were to occur.

DEPARTMENT OF SOCIAL SERVICES AND SENIORS
GRANTS TO NON-GOVERNMENT ORGANIZATIONS

10.10 Following are the recommendations resulting from our audit of Department of Social Services and Seniors Grants to Non-Government Organizations as presented in the 2009 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of the Department of Community Services, Seniors and Labour.

Auditor General's Recommendation	Status/Management Response
The Department of Social Services and Seniors should develop a strategy outlining its objectives and criteria for providing funding to Non-Government Organizations (NGOs).	The Department continues its work to finalize its strategy in relation to funding NGOs. To date, a draft broad policy document has been developed and is expected to be finalized in the near future. Documents to support the policy document (application forms, assessment templates, etc) will be developed. The Department is also reviewing processes to support small dollar value requests in a manner that reduces the risk exposure of government.
The Department should ensure that information is received from each NGO on a timely basis as required in the funding agreement. This information should be used by the Department to assess the services provided by the NGO in relation to the original performance expectations covered in the funding agreement.	For each fiscal year, the contracts' "Schedule C - Reporting" requirements and expectations have been discussed in depth with the NGOs. Program area staff ensure that reports are received in accordance with Schedule C, usually when NGOs submit their funding invoices. Work continues to compile the reported data into useful management information.

MEDICAL EQUIPMENT - ACQUISITION AND MAINTENANCE

10.11 Following are the outstanding recommendations resulting from our audit of Medical Equipment - Acquisition and Maintenance as presented in the 2008 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

Auditor General's Recommendation	Management Response
Policies should be developed and approved by the Department of Health regarding the circumstances required for standardization of medical equipment.	In November 2009, the Executive Leadership Team requested that all program areas be examined to pursue a policy of standardization where safety and financial costs were to be considered. Since that time there have been a number of initiatives which have led to significant standardization of products within Island facilities.
A complete database of medical equipment should be maintained at both the Queen Elizabeth Hospital and the Prince County Hospital.	A database has been developed and implemented at PCH and medical devices have been entered at this time. The QEH Biomedical Engineering department maintains a comprehensive inventory of all patient care devices and systems in device categories for which they are responsible. Absent from this inventory are patient care devices for which the maintenance department has service responsibilities. This would include categories such as beds, lifts, wheelchairs, and treatment tubs. At this time, because of resource implications, the maintenance department inventory is only partially completed.

10. Update on Previous Recommendations

Auditor General's Recommendation	Status/Management Response
The Queen Elizabeth Hospital and Prince County Hospital should have documented policies for preventative maintenance of medical equipment and a process in place to flag equipment when preventative maintenance is due.	Health PEI senior management has approved a provincial policy governing preventative maintenance of medical and facilities engineering devices and systems. The Asset Manager software is capable of flagging equipment when preventive maintenance is due. Due to limited financial resources, however, the scheduling of preventive maintenance is only partially implemented for the Biomedical inventory and has yet to commence for the facilities inventory. A Provincial group with representatives from all PEI healthcare facilities has developed and implemented a preventative maintenance policy for all medical equipment. The policy includes a process for assigning risk levels to each type of equipment which in turn dictates maintenance requirements.
Maintenance systems for medical equipment should record all repairs and preventative maintenance completed and should be used to provide periodic reports to senior management.	A database is used to record all preventative maintenance, unscheduled maintenance, device recalls and manufacturer specifications related to the device. Many different reports may be accessed if required. The database is shared by all healthcare facilities, thus, promoting standardization of equipment acquisition and repair processes and procedures. Security features are in place to prevent unauthorized changes to data.

MANAGEMENT AND USE OF DIAGNOSTIC IMAGING EQUIPMENT

10.12 Following are the outstanding recommendations resulting from our audit of the Management and Use of Diagnostic Imaging Equipment as presented in the 2008 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of Health PEI.

Auditor General's recommendation	Status/management response
Diagnostic Imaging Services should implement a quality assurance program that includes a peer review of a sample of each radiologist's analysis of diagnostic images.	A full complement of radiologists is expected early in 2011. Once that occurs and with wait times at reasonable levels, the service intends to review and consider for possible adoption specific software designed to facilitate peer reviews.

SMALL CLAIM PROCESS

10.13 Following is the outstanding recommendation resulting from our audit of the Small Claims Process as presented in the 2008 Annual Report of the Auditor General. The status of implementation of the recommendation is provided based on information received from management of the Department of Justice and Public Safety.

Auditor General's Recommendation	Status/Management Response
Performance measures should be established for court services and the Legal and Judicial Services Division should report to senior management and the Legislature on the performance of court services including Small Claims.	As previously reported the implementation of this recommendation, because of its constitutional implications, requires in-depth consideration by legal officers in the Office of the Attorney General and will be responded to in due course. At this point in time, the constitutional issues have not been resolved.

PEI ENERGY CORPORATION

10.14 Following are the outstanding recommendations resulting from our examination of the PEI Energy Corporation as presented in the 2007 Annual Report of the Auditor General. The status of implementation of the recommendations is provided based on information received from management of the PEI Energy Corporation.

Auditor General's Recommendation	Status/Management Response
The Energy Corporation should develop a strategic plan that is linked to the renewable energy strategy and approved by the Board of Directors.	With the signing of the PEI Energy Accord between the Government of PEI and Maritime Electric Company Limited, the Energy Corporation is in a better position to develop a strategic plan. It is anticipated that the strategic plan will be developed.
The Energy Corporation should prepare a business plan, linked to its strategic plan, that outlines planned activities and required resources.	A business plan for the Energy Corporation will be prepared and it will be linked to the strategic plan.

PEI BUSINESS DEVELOPMENT INC. - LENDING ACTIVITIES

10.15 Following is the outstanding recommendation resulting from our examination of PEI Business Development Inc. - Lending Activities as presented in the 2007 Annual Report of the Auditor General. The status of implementation of the recommendation is provided based on information received from management of Innovation PEI.

Auditor General's Recommendation	Status/Management Response
The draft policy manual for lending activities should be revised where necessary and approved.	The Innovation PEI Credit Management Committee has asked Innovation PEI to present the policy manual for review and approval at the next committee meeting. It is anticipated the next committee meeting will occur in early 2011.

STUDENT TRANSPORTATION - EASTERN SCHOOL DISTRICT

10.16 Following is an outstanding recommendation resulting from our examination of Student Transportation-Eastern School District as originally presented in the 2006 Annual Report of the Auditor General. The status of implementation of the recommendation is provided based on information received from management of the Eastern School District.

Auditor General's Recommendation	Status/Management Response
In accordance with Eastern School District policy, a standard performance appraisal process should be implemented for bus drivers.	The reviews for bus drivers were not completed due to the fact that resources had been focused on bringing kindergarten children into the public school system. The priority for the transportation department for this school year is the completion of probationary reports for all new bus drivers. These will be completed by January 2011. Following that, performance reviews will be done for drivers with 1-5 years of experience, using the Performance and Developmental Review Report for Support Staff as outlined in Eastern School District Administrative Regulation.

CROWN AGENCIES - CONTROL AND ACCOUNTABILITY

10.17 Following is an outstanding recommendation resulting from our examination of Crown Agencies - Control and Accountability, as presented in the 2004 Annual Report of the Auditor General. The status of implementation of the recommendation is provided based on information received from the Secretary to Treasury Board.

Auditor General's Recommendation	Status/Management Response
In addition to budgets by program area for school boards, the Budget Estimates should at a minimum provide supplementary information showing budgeted revenues and expenditures by school board.	The fiscal year ends for the school boards is June 30. As a result, comparable budget information would require a portion of budget information from two fiscal years. School board budgets for the next year are not finalized until the allocation from the Province is approved by the Legislature. In the past two years, Ministerial directives on funding programs have not been established until late August and early September of the year being funded.
Treasury Board should develop requirements for corporate governance applicable to all Crown agencies.	Governance policies are currently included in the Treasury Board Policy and Procedures Manual under Section 10: Accountability and Governance Matters. Board appointments are now made through a program of Executive Council called Participate PEI.

PUBLIC ACCOUNTS COMMITTEE

11. PUBLIC ACCOUNTS COMMITTEE

ROLE AND MANDATE

11.1 The Standing Committee on Public Accounts is a Committee of the Legislative Assembly. As of March 2011, the Committee consisted of seven members chaired by a member of the Official Opposition. It is charged with matters concerning the Public Accounts of the Province and the Auditor General's Annual Report.

11.2 The Committee provides an important link in the accountability process. Through Committee proceedings, members of the Committee, as members of the Legislative Assembly, are given the opportunity to hold the administration accountable for the use of public funds and the stewardship of public resources. The Committee holds public meetings and requires the Auditor General and other witnesses to appear and answer questions on matters raised in the Auditor General's Annual Report as well as other issues.

PROCEEDINGS AND RESULTS

11.3 During the year, the Committee met to complete the review of my 2009 Annual Report and review my 2010 Annual Report. Since the date of my last Annual Report up to March 1, 2011, I appeared before the Committee on eight occasions and assisted in their deliberations by providing further information, explanation, and clarification on a number of issues.

11.4 In its November 23, 2010 report to the Legislative Assembly, the Committee endorsed all the recommendations and observations made in the 2009 Report of the Auditor General to the Legislative Assembly. The Committee also requested that the implementation of the recommendations be reviewed and their status be presented in future Auditor General's reports to the Legislative Assembly.

11.5 Through its deliberations, the Committee has an important role in contributing to improved accountability and effectiveness in government operations. I look forward to continuing to work with the Committee in fulfilling its mandate.

OFFICE OF THE AUDITOR GENERAL

12. OFFICE OF THE AUDITOR GENERAL

MISSION

12.1 The Office of the Auditor General is the legislative audit office for Prince Edward Island. The Office serves the Legislative Assembly and the citizens of PEI by conducting audits and examinations.

12.2 Our Annual Report and meetings with the Public Accounts Committee assist the Legislative Assembly in its oversight of government spending and operations.

RESPONSIBILITIES AND FUNCTIONS

12.3 The *Audit Act* provides the mandate for the Office and sets out the responsibilities of the Auditor General. The Auditor General is required to report annually to the Legislative Assembly on the results of the audits and examinations conducted by the Office. The work of the Office consists of two main types of audits: financial audits, and special audits and examinations.

12.4 Financial audits are examinations of financial statements on which we provide assurance that the statements are presented fairly in accordance with Canadian generally accepted accounting principles or the applicable reporting framework.

12.5 The *Audit Act* allows the Auditor General to conduct any special audit or examination considered necessary to determine whether any agency of government is achieving its purpose, is doing so economically and efficiently, and is complying with the applicable statutory provisions. In addition, the Act allows for special assignments or investigations to be conducted at the request of the Lieutenant Governor in Council.

12.6 The *Audit Act* also requires the Auditor General to report annually on deficits of any agency not covered by appropriations; surpluses of any agency not paid into the operating fund; total amounts discharged, cancelled, and released under Section 26 of the *Financial Administration Act;* and appropriations made by special warrant and the purpose of such appropriations.

Independence

12.7 The Auditor General is responsible to the Legislative Assembly, not government. The Office is positioned to offer impartial opinions and recommendations on government operations and management practices. The *Audit Act* establishes the legal framework for an independent audit office. The key components in building that independence include

- the existence of a Legislative Audit Committee which reviews the Office's budget;
- the authority to carry out the audits and examinations which the Auditor General deems necessary;
- the right of access to records and information necessary to perform audit functions;
- the power to request and receive information or explanations required; and
- the requirement to report annually to the Legislative Assembly.

12.8 In addition, the independence of the Office is supported by our quality assurance policies and an Office code of conduct which includes, among other things, policy and guidance on ethics, impartiality, and potential conflict of interest situations.

Audit Planning

12.9 Each year, an audit work plan is developed based on statutory requirements and audit priorities established by the Office. The annual work plan includes a number of financial statement audits as well as special audits and examinations. Special audits and examinations of government departments and Crown agencies are carried out based on prioritization of a number of risk factors as well as a desire to cover all government organizations on a cyclical basis.

12.10 Various factors are considered in establishing priorities for special audits and examinations. These include the materiality of revenues and expenses, the complexity of operations or program delivery, the results of previous audits, and the timing of the last audit. Other factors considered in planning each audit include our audit mandate, expected resources required to complete the audit, the quality of the financial and management controls in place for the entity, the impact on the public, and possible matters of significance that may arise from the audit.

Professional Standards

12.11 Generally accepted accounting principles for government are established through the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). These recommendations are directed at the public sector and deal with numerous accounting issues. We rely on generally accepted accounting principles for the public sector in conducting our audits as well as other guidance provided by the CICA.

12.12 Our audits are conducted in accordance with generally accepted standards for assurance engagements. These standards relate to the professional qualifications of auditors, minimum examination requirements, and reporting responsibilities. They are designed to ensure that our audits are properly planned, conducted, and reported and that audit findings are based on well substantiated evidence.

12.13 The Office is subject to a periodic practice inspection carried out by the Institute of Chartered Accountants of Prince Edward Island. This process is designed to protect the public interest by ensuring the Office meets the standards required of the profession. The most recent practice inspection was completed in October 2009.

12.14 The Canadian Council of Legislative Auditors (CCOLA) provides a peer review process for financial statement and special audits and examinations. This peer review process also provides assurance that the Office is conducting audits in compliance with generally accepted auditing standards of the Canadian Institute of Chartered Accountants. The most recent peer review was completed in October 2010.

PERSONNEL, ADMINISTRATION AND APPROPRIATIONS

Organization

12.15 The Office staff complement consists of two audit directors, twelve auditors, one student auditor, and two administrative staff. Two auditor positions remain vacant and are not funded. With our limited staff, we strive to provide audit coverage on significant areas of government on a cyclical basis.

12.16 Under the *Audit Act*, the Legislative Audit Committee, a standing Committee of the Legislative Assembly, is responsible for the administration of the Office of the Auditor General. The Committee consists of the Speaker of the Legislative Assembly, who is the Chairperson, the Leader of the Opposition, and the Minister of Finance and Municipal Affairs. On an annual basis, the Committee reviews the budget estimates of the Office.

12.17 For the year ended March 31, 2011, the budgeted expenditures for the Office amounted to $1,682,100 and are summarized in **Exhibit 12.1.**

EXHIBIT 12.1
OFFICE OF THE AUDITOR GENERAL
OFFICE BUDGET
YEAR ENDED MARCH 31, 2011

Account	Budget
Administration	$ 34,000
Equipment	7,200
Materials, Supplies, and Services	9,000
Professional and Contract Services	17,800
Salaries	1,569,600
Travel and Training	34,500
Contribution – CCAF	10,000
Total	**$1,682,100**

Professional Affiliations

12.18 As an Office, we strive to keep current in all aspects of legislative and other audit practices as well as new developments within the profession. The Office maintains a close association with a number of professional organizations to share experience and methodology with a view to contributing to the ongoing development of legislative audit practices. Some of the key affiliations include the following:

- **The Canadian Council of Legislative Auditors (CCOLA)** - The meetings of the Council bring together legislative auditors of the federal government and the provinces and provide an opportunity for information exchange, discussion, development, and enhancement of legislative audit practices. Members of the Office serve on various CCOLA committees.

- **The Public Sector Accounting Board** - The Office provides input and cooperates with the Board in its efforts to improve and harmonize public sector accounting practices across Canada. The Board conducts research and issues recommendations on public sector accounting issues.

- **The Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Prince Edward**

Island - The Office maintains an important professional relationship with these organizations and provides input and receives information on developments in the profession.

- **The CCAF** - The Office has been a member and supporter of the CCAF since its inception in 1980. CCAF is a Canadian research and education foundation dedicated to building knowledge for meaningful accountability and effective governance, management, and audit.

12.19 In accordance with its mandate, the Office has established two broad goals as follows:

- ***to promote improved accountability for, and management of, public funds; and***

- ***to continuously update our knowledge and skills within our field of practice, and to work to the highest standard of our profession.***

In support of these goals, the Office has developed a number of objectives. The following paragraphs provide information on each of these objectives and the accomplishments during the year.

(i) As required pursuant to the *Audit Act*, to prepare an Annual Report for the Legislative Assembly on the results of the audits that have been carried out.

12.20 The 2010 Annual Report of the Auditor General was tabled in the Legislative Assembly on April 7, 2010. The Report was referred to the Public Accounts Committee, and the Auditor General appeared before the Committee to discuss the Annual Report and provide additional information and explanations to the Committee.

(ii) To express audit opinions on the financial statements of the Province and other Crown corporations and agencies subject to audit by our office.

12.21 An unqualified audit opinion was provided on the Public Accounts for the year ended March 31, 2010. In addition to the Public Accounts, we conduct a number of financial statement audits of Crown corporations, pension and trust funds, and other agencies. This process provides assurance to taxpayers, through the Legislative Assembly, on the fairness of information reported by government.

(iii) To perform selected special audits and examinations to determine whether departments and agencies are being managed with due regard for economy and efficiency and are in compliance with applicable statutory provisions.

12.22 The extent of special audit and examination work that we can undertake is determined by the resources available after the financial audit work has been assigned.

12.23 Our special audits and examinations provide information and assurance on the management of public resources in a number of areas. We provide advice and make recommendations to improve management controls and practices where issues are identified.

(iv) To provide updated information on implementation of the recommendations arising from our audits.

12.24 It has been our practice to follow up on outstanding recommendations and provide updated information in our Annual Report. Annually, we request an update from organizations on the action taken on outstanding recommendations. Although we do not audit the responses, they are at a minimum reviewed for reasonableness.

(v) To maintain technical competence in an evolving accounting and auditing environment.

(vi) To remain aware of and provide input to the development of public sector accounting standards.

(vii) To build leadership within the Office by providing professional development and training opportunities for staff.

12.25 Our Office maintains an affiliation with the Canadian Institute of Chartered Accountants, which helps us to keep up to date on emerging accounting and auditing issues. Standards are promulgated by the Public Sector Accounting Board and the Assurance Standards Board. We regularly participate in this process by providing comments during the discussion stages of the development of government accounting standards. In addition, we maintain professional affiliations with the Canadian Council of Legislative Auditors and the CCAF. This participation allows us to share knowledge and experience as well as receive information on newly developed methodology.

12.26 Except for one student position, audit staff within the Office have professional accounting designations. We strive to provide training and professional development opportunities to staff. Individual staff members attend various professional courses, conferences, seminars, and meetings.

12.27 For 2006 and subsequent years, the Institute of Chartered Accountants of PEI requires members to take a minimum of 20 hours of professional development per year and not less than 120 hours in a three year period.

SCHEDULES

OPERATING FUND APPROPRIATIONS 2009

	APPROPRIATION ACT 2009	SPECIAL WARRANTS	TRANSFERS	TOTAL APPROPRIATION	EXPENDITURES 2009-10	UNEXPENDED
CURRENT						
AGRICULTURE	$ 29,941,000	$ 975,000	-	$ 30,916,000	$ 30,551,152	$ 364,848
OFFICE OF THE ATTORNEY GENERAL	39,663,900	-	-	39,663,900	39,196,065	467,835
AUDITOR GENERAL	1,682,100	-	-	1,682,100	1,491,397	190,703
COMMUNITIES, CULTURAL AFFAIRS AND LABOUR	86,220,400	-	-	86,220,400	84,226,152	1,994,248
EDUCATION AND EARLY CHILDHOOD DEVELOPMENT	206,858,000	2,662,600	-	209,520,600	209,263,910	256,690
ISLAND REGULATORY AND APPEALS COMMISSION	1,335,100	-	-	1,335,100	1,335,100	-
ENVIRONMENT, ENERGY AND FORESTRY	23,895,000	234,000	-	24,129,000	23,670,416	458,584
PEI ENERGY CORPORATION	584,100	-	-	584,100	584,100	-
EXECUTIVE COUNCIL	4,096,500	-	-	4,096,500	3,712,308	384,192
FISHERIES, AQUACULTURE AND RURAL DEVELOPMENT	7,821,100	225,000	-	8,046,100	7,983,207	62,893
EMPLOYMENT DEVELOPMENT AGENCY	5,264,700	-	-	5,264,700	5,052,992	211,708
HEALTH	444,490,800	4,222,400	3,060,600	451,773,800	451,773,645	155
INNOVATION AND ADVANCED LEARNING	104,686,400	16,994,600	-	121,681,000	119,783,884	1,897,116
INNOVATION PEI	26,941,300	4,900,000	-	31,841,300	31,841,300	-
PEI LENDING AGENCY	823,700	1,000,000	-	1,823,700	1,823,600	100
LEGISLATIVE ASSEMBLY	4,790,900	-	-	4,790,900	4,532,462	258,438
PROVINCIAL TREASURY	37,669,200	-	-	37,669,200	37,125,491	543,709
GENERAL GOVERNMENT	12,892,300	-	(3,060,600)	9,831,700	6,563,115	3,268,585
TECHNOLOGY ASSET MANAGEMENT	2,100,000	-	-	2,100,000	1,768,703	331,297
COUNCIL OF ATLANTIC PREMIERS	196,100	-	-	196,100	196,093	7
EMPLOYEE BENEFITS	80,411,800	-	-	80,411,800	73,763,617	6,648,183

Note: Appropriations and expenditures are presented in accordance with the classifications in the Appropriation Acts 2009. This differs from the format used in the Operating Fund financial statements in that amortization of tangible capital assets is recorded as an expense and capital assets are capitalized in the Operating Fund financial statements.

OPERATING FUND APPROPRIATIONS 2009

	ALLOCATION	SUPPLEMENTARY	TRANSFERS	TOTAL APPROPRIATION	EXPENDITURES 2009-10	UNEXPENDED
CURRENT (continued...)						
PEI PUBLIC SERVICE COMMISSION	5,637,700	-	-	5,637,700	5,572,602	65,098
SOCIAL SERVICES AND SENIORS	124,235,600	1,998,800	-	126,234,400	126,234,338	62
TOURISM PEI	24,542,400	856,600	-	25,399,000	25,280,128	118,872
INTERMINISTERIAL WOMEN'S SECRETARIAT	435,600	-	-	435,600	433,367	2,233
TRANSPORTATION AND PUBLIC WORKS	86,156,600	2,375,000	-	88,531,600	86,412,777	2,118,823
INTEREST CHARGES ON DEBT	114,270,300	-	-	114,270,300	101,656,789	12,613,511
TOTAL CURRENT	**$ 1,477,642,600**	**$ 36,444,000**	**$ -**	**$ 1,514,086,600**	**$ 1,481,828,710**	**$ 32,257,890**
CAPITAL						
AGRICULTURE	$ 500,000	$ -	$ -	$ 500,000	$ 14,956	$ 485,044
OFFICE OF THE ATTORNEY GENERAL	2,150,000	1,000,000	-	3,150,000	3,065,786	84,214
COMMUNITIES, CULTURAL AFFAIRS AND LABOUR	450,000	-	-	450,000	429,696	20,304
EDUCATION AND EARLY CHILDHOOD DEVELOPMENT	24,755,000	5,211,800	-	29,966,800	29,957,345	9,455
ENVIRONMENT, ENERGY AND FORESTRY	150,000	120,000	-	270,000	442,229	(172,229)
HEALTH	38,350,000	133,300	-	38,483,300	35,470,257	3,013,043
INNOVATION AND ADVANCED LEARNING	5,000,000	-	-	5,000,000	2,547,302	2,452,698
PROVINCIAL TREASURY	4,300,000	2,695,200	-	6,995,200	6,906,358	88,842
PEI PUBLIC SERVICE COMMISSION	-	398,300	-	398,300	398,202	98
SOCIAL SERVICES AND SENIORS	1,750,000	-	-	1,750,000	760,832	989,168
TOURISM PEI	1,300,000	182,600	-	1,482,600	1,598,998	(116,398)
TRANSPORTATION AND PUBLIC WORKS	50,915,000	11,187,000	-	62,102,000	62,338,674	(236,674)
TOTAL CAPITAL	**$ 129,620,000**	**$ 20,928,200**	**$ -**	**$ 150,548,200**	**$ 143,930,635**	**$ 6,617,565**
GRAND TOTAL	**$ 1,607,262,600**	**$ 57,372,200**	**$ -**	**$ 1,664,634,800**	**$ 1,625,759,345**	**$ 38,875,455**

Note: Appropriations and expenditures are presented in accordance with the classifications in the Appropriation Acts 2009. This differs from the format used in the Operating Fund financial statements in that amortization of tangible capital assets is recorded as an expense and capital assets are capitalized in the Operating Fund financial statements.

ORDER-IN-COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2009-10 FISCAL YEAR

[redacted]

EC2010-193 **FARM INCOME RISK MANAGEMENT**

Grants - Canada Agricultural Income Stabilization		$ 975,000

To fund costs of the Agri-Recovery Program.

[redacted]

EC2010-197 **FINANCE AND SCHOOL BOARD OPERATIONS**

Grants - Miscellaneous		$ 50,800
GRANTS TO SCHOOL BOARDS		
Grants - School Unit Maintenance		2,315,300
PROGRAM EVALUATION AND STUDENT ASSESSMENT		
Materials, Supplies and Services	30,000	
Professional and Contract Services	29,000	59,000
EARLY CHILDHOOD DEVELOPMENT AND KINDERGARTEN		
Grants - Miscellaneous		128,300
AUTISM SERVICES		
Grants - Miscellaneous		109,200
Total		$2,662,600

To fund kindergarten implementation, smart-boards for classrooms, and technology programs.

[redacted]

EC2010-198 **AIR AND HAZARDOUS MATERIALS**

Professional and Contract Services		$ 124,000

ORDER-IN-COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2009-10 FISCAL YEAR (continued...)

WATERSHED MANAGEMENT / REGIONAL ADAPTATION COLLABORATION

Equipment	51,000	
Professional and Contract Services	59,000	110,000
Total		$234,000

To fund environmental clean-up and new funding for the Federal Atlantic Regional Adaptation Solutions Program. Partially offset by revenue of $110,000 from the federal government under terms of the Atlantic Regional Adaptation Solutions Program.

EC2009-613 **AQUACULTURE**

Grants	$ 60,000

To fund costs for development of technology to control tunicate fouling. Fully offset by federal revenue from Fisheries and Oceans.

EC2010-38 **AQUACULTURE**

Grants	40,000

To fund costs for control of tunicate fouling, under a MOU with the PEI Aquaculture Alliance. Fully offset by federal revenue from Fisheries and Oceans.

EC2010-200 **MARINE FISHERIES**

Grants - Miscellaneous	125,000
Total	$225,000

To fund the Lobster Marketing, Product Development, and Innovation Program.

ORDER-IN-COUNCIL **SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2009-10 FISCAL YEAR** (continued...)

HEALTH

EC2010-492 **GENERAL**

Professional and Contract Services	$ 3,928,700
To fund physician fees for Medical Programs.	

EC2011-97 **FINANCIAL SERVICES**

Grants – Miscellaneous	293,700
To fund workers' compensation premiums, hepatitis C settlement funding and vaccine inventory adjustment.	
Total	$ 4,222,400

INNOVATION AND ADVANCED LEARNING

EC2010-201 **LABOUR MARKET DEVELOPMENT**

Grants - Labour Training		$ 7,991,400
POST SECONDARY GRANTS		
Grants - College Acadie	75,000	
Grants - Maritime Provinces Higher Education Commission	3,678,200	
Grants - Miscellaneous	5,250,000	9,003,200
Total		$16,994,600

To fund labour training programs and grants to post-secondary educational institutions. Partially offset by federal revenue of $13,916,400 pursuant to agreements for Labour Market Development, Knowledge Infrastructure Program (KIP), and Official Languages in Education.

INNOVATION PEI

EC2010-202 **PROGRAMS**

Grants - Tax Incentive Grants and Labour Rebates	$3,900,000	
Grants - Small Business Expansion	1,000,000	$ 4,900,000
To fund grants for labour rebates, tax incentives, lobster marketing initiative, and small business expansion.		

ORDER-IN-COUNCIL

SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2009-10 FISCAL YEAR (continued...)

EC2010-422 **OPERATIONS/DIVISION MANAGEMENT**

Bad Debt Expense			$ 1,000,000

To fund an increase in the provision for loan losses.

EC2010-195 **CHILD AND FAMILY**

Salaries			$ 334,700

To fund wages for Child and Family Services.

EC2010-491 **CHILD PROTECTION**

Salaries		162,800	
PHARMACY			
Grants - Provincial Drug Assistance Program		218,000	
HOUSING PROGRAM			
Materials, Supplies and Services	151,500		
Grants - Miscellaneous	756,500	908,000	
SOCIAL PROGRAMS			
Grants - Social Assistance - Cash and Materials	294,000		
Grants - Disability Support Program	81,300	375,300	1,664,100

To fund additional expenditures in Child and Family Services including child protection, provincial drug assistance, housing, and social programs.

Total	$1,998,800

EC2010-133 **PARK OPERATIONS**

Salaries		$ 66,600	

ORDER-IN-COUNCIL			
	SPECIAL WARRANTS FOR CURRENT EXPENDITURES 2009-10 FISCAL YEAR (continued...)		
	INDUSTRY INVESTMENT		
	Grants - Tourism	100,000	
	MARKETING		
	Professional and Contract Services	400,000	
	BUSINESS DEVELOPMENT		
	Professional and Contract Services	90,000	656,600
	To fund Culinary Alliance contribution, business development, tourism grants, and parks wages.		
EC 2010-204	**STRATEGY AND EVALUATION**		
	Grants - Tourism Product Development		200,000
	To fund costs related to hosting the East Coast Music Awards in Charlottetown.		
	Total		$ 856,600
	TRANSPORTATION AND PUBLIC WORKS		
EC2010-205	**PROVINCIAL HIGHWAY MAINTENANCE OPERATIONS**		
	Materials, Supplies and Services		$ 1,580,000
	TRAFFIC OPERATIONS		
	Materials, Supplies and Services		795,000
	Total		$ 2,375,000
	To fund sand and salt for highway maintenance operations and traffic line and sign materials.		
	TOTAL SPECIAL WARRANTS FOR CURRENT EXPENDITURES		$36,344,006

ORDER-IN-COUNCIL **SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2009-10 FISCAL YEAR**

EC2010-194 **CAPITAL IMPROVEMENTS**

Capital - Major Restoration and Renovations	$ 750,000
CAPITAL PURCHASES	
Capital - Computer Software	250,000
Total	$1,000,000

To fund renovation costs to modernize the provincial corrections facility and software redesign to the maintenance enforcement system. Partially offset by funds of $250,000 from the federal government under the terms of the Supporting Families Fund.

EC2010-196 **SCHOOL CONSTRUCTION AND CAPITAL IMPROVEMENTS**

Capital - Buildings	$5,211,800

To fund school construction costs related to Glen Stewart School and the kindergarten classroom construction at Westwood Primary, LM Montgomery, West Royalty, and Sherwood elementaries.

EC2009-439 **CAPITAL PROJECTS**

Capital - Property Improvements	$ 120,000

To fund costs to excavate and repair impoundments at Leard's Pond.

EC2009-555 **CAPITAL - PROJECTS**

Capital - Salaries	$ 133,300

To fund costs of the Peer-to-Peer Network Project. Fully offset by revenue from Canada Health Infoway Inc.

ORDER-IN-COUNCIL **SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2009-10 FISCAL YEAR** (continued...)

[redacted]

EC2010-199 **CAPITAL PROJECTS CORPORATE SYSTEM UPGRADES**

Capital - Computer Software $2,695,200

To fund computer costs including an Oracle software upgrade to the Financial Information System, licenses for the Radiology Information System, Microsoft Audit Software Settlement, and other new initiatives.

[redacted]

EC2010-203 **CAPITAL EQUIPMENT**

Capital - Professional Services $ 398,300

To fund the Corporate Human Resource Management System and payroll initiative.

[redacted]

EC2010-132 **CAPITAL IMPROVEMENTS**

Capital - Major Restoration and Renovations $ 182,600

To fund parks site repair costs at Argyle Shore, Jacques Cartier, Mill River, Red Point, and Kings Castle.

[redacted]

EC2009-326 **STRATEGIC HIGHWAY IMPROVEMENT PROJECTS**

Capital - Professional Services $9,700,000

To fund highway projects approved under the Government of Canada's Infrastructure Stimulus Fund. Partially offset by revenue of $6.6 million from the federal government under the terms of the Infrastructure Stimulus Fund.

ORDER-IN-COUNCIL

SPECIAL WARRANTS FOR CAPITAL EXPENDITURES 2009-10 FISCAL YEAR (continued...)

EC2010-206 **BRIDGES**

Capital - Professional Services	1,487,000

To fund bridge construction costs for the Oak Drive overpass along the Charlottetown Bypass.

Total	$11,187,000

[redacted]

[redacted]